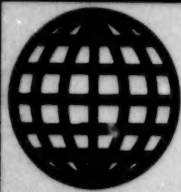


JPRS-EER-90-100  
9 JULY 1990



FOREIGN  
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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-100

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9 July 1990

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## CZECHOSLOVAKIA

### Suspected Disinformation Campaign

90CH0192A Prague ZFMEDELSKE NOVINY  
in Czech 25 May 90 pp 1, 3

[Article by Jan Subert: "Operation 'Old Order'"]

[Text] Our democracy, which is being born with such difficulty, will obviously not be able to avoid the hard test of an extensive and cleverly prepared campaign of disinformation in the near future. Its goal is to discredit a number of important persons, to destabilize the post-November regime, and to create conditions for the entry of entirely new persons who would start, perhaps unconsciously, to shift the political rudder freely in the direction of the old order.

There is material which attempts to discredit Charter 77. A disinformation document on the economic relations between the Czech and Slovak republics has been worked up. There are records ready for use on the cooperation of some of the older politicians with the German intelligence service and the Gestapo. In reserve are "witnesses" accusing Civic Forum of cryptocommunist. This and much other information was provided to journalists last week by the Coordinating Committee of the Civic Forum representative Jan Urban. All of them have, of course, been known for a long time already, but now the time has come to speak publicly about them.

Just what is involved here? First of all, it is necessary to say that the intention of the expected discrediting of well-known representatives of political and public life is far from just sowing mistrust. The actual goal is the retirement from public life and replacement of a number of important figures of today, especially those in the Civic Forum. According to the well-directed plan, behind which are our old agencies and some foreign organizations as well, second-rate or, better yet, third-rate people should replace them. In other words, average and unprepossessing individuals who might be gradually manipulated back to the old order. The entire campaign would thus complicate the putting together of the new parliament and the next government to the maximum degree.

One can certainly ask who got hold of the compromising disinformation materials and how they put it together. There were many opportunities. All through last year's long December the counterintelligence had plenty of time to sort out the archives without being interrupted and to get hold of everything necessary. Some indications are that it cannot be excluded that even at that time there was a disinformation operation under way which manipulated data on informers and agents of the StB [State Security] from among the citizens. Many documents could have been removed and replaced with falsified ones with the names of blameless persons.

It was possible to continue with the disorientation and the collection of necessary materials for an entire month

after that. The counterintelligence, as the most important component of the StB, was only disbanded on 31 January of this year. Moreover, many top leaders of the former StB were left in their jobs through February, March, and April. The FMV [Federal Ministry of the Interior] did, in fact, issue a decree on sealing the archives and registries of the StB containing facts on the confidants and agents of the counterintelligence. Actually, only the vaults in the operative offices were sealed and not the central archives nor the central register. And they could cheerfully continue to search out compromising materials there.

In connection with this, however, the information coming from our foreign intelligence services is much more serious. According to a report which the Agency for the Protection of the Constitution and Democracy has available, important materials from our internal counterintelligence were shipped in large quantities outside the territory of our republic, specifically to the Soviet Union, as early as October 1989, that is, a whole month before 17 November. The motive behind this action was the correct judgment of the leadership of our State Security that predicted with certainty that it was only a question of a short time before there would be an attempt at changing the political regime here.

An analysis and subsequent synthesis of the output from other intelligence sources leads, however, to the conclusion that the disinformation campaign prepared was laid out along general lines as early as a year ago as a component of a strategic plan for discrediting the Czechoslovak opposition at home and abroad. According to unsubstantiated information, the entire project, part of which was also the Klin action, was prepared in cooperation with the First and Second Directorates of the pre-November FMV.

A certain question mark still hangs over a reliable listing of persons who are supposed to be discredited in the near future. From available sources, however, it looks as if the attack of fabrications, lies, half-truths, and falsehoods has been prepared against persons in the Civic Forum and, so to say, all political movements. Its target was to be certain vice chairmen of the federal government, the president and his advisers, and persons at the head of state institutions. In a number of cases, it was not to involve compromising them with cooperation with the former StB, but with various episodes from their private lives which, even if we admit that they might be partially true, each of us has experienced and therefore are substantially a matter of human nature.

Participation by the Soviet KGB is also often concealed within the broader context of the disinformation campaign, whose goal was to be the placement of persons suitable for gradually taking a course back to the old order. The role of this secret service so far remains very unclear, however.

A different situation could, of course, come about after a change from today's Soviet regime to one controlled by



conservative forces. The fact is that within the KGB and our old State Security there were excellent contacts. We can, however, today say with certainty only that behind the expected campaign of discrediting people stands our old power structure.

It also remains to be said what means, channels, and media were to be used to spread the disinformation campaign. So far, everything points to the easiest and most accessible ones being the foreign communications means, whose reputations and sales are boosted by exclusive and sensationalist materials. We have information from various sources that certain details on the exposed persons in our political affairs were to be published by the magazines "STERN" and "QUICK."

Regardless of the most varied indications, however, it is not yet clear whether the disinformation campaign will actually be kicked off. In any case, it is useful for our public to know about it being prepared. Only thus will we be able to overcome it successfully.

### Border Guards To Reinforce Police

90CH0185A Prague ZEMEDELSE NOVINY  
in Czech 30 May 90 p 1

[Interview with Ladislav Lis, chairman of the defense and security committee of the House of Peoples, by Jan Subert; place and date not given: "Villages and Towns Without Fear"—first two paragraphs are ZEMEDELSE NOVINY introduction]

[Text] The Public Security forces. It is difficult to figure out in their case as well how many times they have been the target of criticism in this month, both justifiable and unjustifiable. The racist stormtroopers have been almost uninterruptedly forming ranks, crime is growing, and people have lost their sense of security. On the other hand, the mistrust sown between the VB [Public Security] and the people by the last regime and the events of 17 November continues. All this must change.

The first important step toward the creation of a good relationship among the police keeping order or, if you will, the Public Security, should be taken very rapidly. In just a few days members of the Border Guard will reinforce their ranks. Since this action is being taken at the prompting of the parliament, we asked the chairman of the defense and security committee of the House of Peoples, Representative JUDr Ladislav Lis, to give us a few words on the subject.

[Subert] Most people would agree with the opinion that this reinforcement of the police keeping order is taking place at the last minute. Why did it not happen sooner?

[Lis] The main obstacle preventing rapid and thorough changes for the better in the area of the Public Security is the outdated and unsuitable law on the SNB [National Security Corps]. For 5 months now, however, we have not succeeded in having the federal ministry of the interior work up and submit to the parliament its

replacement in the form of a proposal for a law on the police. The greatest problem, that of a shortage of VB members, can of course be overcome also by certain temporary actions of another nature. Unfortunately, the FMV [Federal Ministry of the Interior] did not come up with the necessary initiatives in this manner either.

[Subert] What is the actual current situation with the Public Security?

[Lis] Quite distressing. After the sharp criticism of the SNB, which after 17 November also hit the Public Security, many people left its ranks. Often policemen who never took part in the actions against citizens and the repression also left because they did not want to bear the responsibility for their membership in the SNB. For example, in the North Bohemian Kraj we need more than 600 additional policemen immediately. At the same time, it is of course necessary to add that many commanders have still not fully committed themselves to the changes which have taken place after 17 November, which is reflected in the attitude of the rank and file members toward the performance of their duties.

[Subert] Let us go back to the proposal for an immediate, even if temporary, solution. In the introduction we pointed out that it came from the parliament...

[Lis] The initiative for rapid, even if temporary, action came up in discussing the situation in the Border Guards. After the changes in the international climate, it is no longer necessary to make the Western border airtight, and, therefore, the concept of transforming the PS [Border Guards] into border police was put forward. And in just this connection a group of Civic Forum delegates from the defense and security committee of the SN [House of the Peoples] came up with the proposal to incorporate part of the soldiers in the Border Guards into Public Security units.

[Subert] Can you reveal how many PS soldiers this transfer affects and how it will take place?

[Lis] It is a matter of some 3,500 to 4,000 soldiers who will be transferred—for a period of several months and before the elections—under the command of the Czech and Slovak Ministers of the Interior. They will be distributed among VB units throughout the country depending on the needs of the individual towns and areas in crisis situations. There will be both officers and basic service soldiers among the PS reinforcements who have the appropriate education and qualifications and are capable of functioning among the public. We also presume that they will go through short courses of a legal minimum and training in self-defense.

[Subert] How will they be dressed? Will we be able to identify them on the streets? And has this whole project already been approved by someone?

[Lis] All of them will be dressed in military uniforms and the public will recognize them by stripes on their sleeves. I would also like to add that in this connection we want

to make sure that the ministry of the interior also finally makes members of the VB wear identification numbers.

Incorporation of the PS soldiers into the VB units was approved last Thursday by the federal government and the leaders of the parliament also expressed their agreement with this proposal. I am personally convinced that the entire operation will significantly contribute to ensuring the public order in the preelection period and that our citizens will get a feeling of safety and security from it.

### Special Tribunal for Secret Police Agents

90CH0225A Prague LIDOVE NOVINY in Czech  
16 Jun 90 p 16

[Article by Jan Kren and Vaclav Kural: "A Proposal: A Citizen's Tribunal"]

[Text] The long period of totalitarian rule has left deep marks on our society. Besides the "silent majority," there were and are many people who were involved personally and as individuals with the past regimes. Particularly important is the problem of tens, and perhaps even hundreds, of thousands of people who as individuals clearly cooperated with the State Security, both domestic and foreign. Such people can mainly harm society further and maintain the influence and power of the illegal networks. Secondly they can, under suitable circumstances, be blackmailed by these networks, and finally they can be publicly vilified in the interest of various forces. This is not just theory; in a similar situation in 1945 a number of people were forced into further cooperation, publicly vilified, and in some cases pursued into suicide. This opportunity to manipulate and to blackmail actually and presumably compromised people has become a substantial component for a totalitarian power just starting out.

To a certain degree it is possible to utilize the state power and laws for defense and purging society. Thus it is necessary to take a careful look at the candidates for high state jobs and positions in society. Nonetheless, these tools are too crude for a number of cases, perhaps even the majority of them, and thus are either unusable or ineffective. The lists of informants cannot simply be published because they would harm many people and they cannot be destroyed either because there certainly are illegal copies of them. In order for us to get rid of the unhappy inheritance of informing as completely and rapidly as possible and to do this without further unfair actions, a temporary institution should be set up under the aegis of the Federal Assembly, a kind of citizens' tribunal or honorary jury of trustworthy, politically unaligned, and discerning people to whom persons implicated in cooperation or accused of it can turn.

The mission of the tribunal would be:

- to receive reports on compromised persons and to guarantee that information obtained in this way is not abused;

- to provide protection to people who are unjustly accused, especially those who cannot defend themselves, for example, those deceased;

- in disputed cases, to ensure that the other party is also heard.

The jury would not have any legal authority, but only a moral one. It should be composed of trustworthy and nonpolitical persons with public authority, especially from the ranks of Charter 77, VONS [expansion unknown], former political prisoners, religious leaders, writers, etc. The composition of the jury should be approved by the FS [Federal Assembly] and the members should serve with allegiance to the president of the republic.

### Slovak Intellectual Speaks Out Against Separatism

90CH0220A Bratislava NARODNA OBRODA in Slovak  
No 16 1 Jun 90 p 5

[Article by Ladislav Kovac]

[Text] Early in February I wrote an article devoted to the Slovak-Hungarian question. As an antithesis to the gravity of the issues involved in Slovak-Hungarian relations I cited the absence of problems in Slovak-Czech relations. I stated optimistically that "in these relations too there is a bit of friction but we will be able to handle this sibling dissension as soon as we understand fully the unbreakable bond of our national interests." Perhaps I still saw before my eyes the hundreds of thousands of Bratislava citizens during the November demonstrations who interrupted the Czech guests' remarks by enthusiastic chants of "We are one nation!" The article appeared three months later in the second issue of the revived KULTURNY ZIVOT. In April and May 1990 one can no longer call the Slovak-Czech problem a sibling dissension which we will know how to handle. One of the Slovak political parties included in its program the creation of a Czech-Slovak federation; another went as far as to struggle for an independent Slovak state. In LITERARNI NOVINY of 3 May Ludvik Vaculik wrote: "Slovaks are not quite ready to establish a free and equal relationship with other nations... Thus having no one else on whom to demonstrate their maturity, Slovaks are mistakenly practicing it on us." And so, "why after all should the Slovaks be wresting from us inch by inch what they can have completely right away? By separation from the Slovaks which is solely a matter of our will, we will lose—judging by past experience, economic losses. Politically we will lose the Hungarian and Ruthenian problems. We will put one more frontier between us and the Soviet Union...."

In LITERARNI NOVINY of 18 May Vaculik was joined by Vladimir Mikulica: "We ought to begin thinking about the ways of a separation.... Yet the majority of Czechs and Moravians take the demise of Czechoslovakia with feelings of pain...."

So today it is no longer a dispute about the name of the joint state, nor any other kind of semantic game. On both the Slovak and Czech side the talk is about the real possibility of a breakup of the Czech and Slovak Federative Republic.

It seems to me that the anti-Czech moods are merely the flip side of a surging Slovak nationalism. And that is always marked by inferiority complexes. Today it rises up among people with nostalgia for Tiso's Slovak state in which they even see a model for the future independent Slovakia. They are deaf to arguments showing that this state could exist and have a relative prosperity only due to the specific conditions of the Second World War. And that it is burdened with responsibility for the inexcusable murder of 70,000 Slovak Jews and its own actions to liquidate an antifascist uprising. In ZMENA 32/90 these people were characterized as follows by Anton Hlinka: "Here are Slovaks who think they can fight for the nation with a shepherd's staff. I call them 'Hooray Slovaks'." This was a very fitting appraisal of their worthiness, political as well as cultural.

But more painful is the fact that nationalism and separatism as its corollary are taking hold among part of Slovak youth. In a way it is understandable: our youth has it up to its neck with the hypocritical proletarian internationalism and socialist patriotism. The young don't trust people who said one thing yesterday and are saying another today. They are confused in the perception of our history which had been rejiggered repeatedly to fit the needs of the ruling ideology. They discover the blank spots in history and grasp at them in the hope of discovering in them an elixir to heal their feeble sense of national consciousness. In their romanticism they are all too ready to accept tales of how Stefanik was shot down on Czech orders (SMENA 28 Apr and 18 May) rather than the realistic and nonpathetic explanation of the crash of his plane, documented by the Italian Royal Army (NEDELNA PRAVDA, 4 and 11 May).

No less painful is the fact that the political forces whose goal is to disrupt the integrity of the Czech and Slovak Federative Republic are finding fertile ground in the ethnically mixed areas of southern Slovakia. After the Public Against Violence entered into an election coalition with the Hungarian Independent Initiative, Slovaks in these areas are left disoriented, feel written off, and succumb to demagogic arguments put forth by extremists. The absence of a clear program in regard to the national minorities on the part of the originally strongest civic movement is driving also our Hungarian fellow citizens into the hands of other extremist political forces. Slovaks in southern Slovakia, and not only there, should realize that after a breakup of the Czechoslovak state the problem of Slovak-Hungarian relations would assume a dramatically different dimension. And there will be different solutions sought to resolve it—first of all the one already found, which was one of the tributes that had to be paid for an independent Slovak state.

In the aforementioned article Ludvik Vaculik recounts how his Bratislava friends assure him that the nationalist clangor comes only from careerists, fools, and intriguers. "But I should have expected that the majority of the wise will discipline or outvote that worse minority. No, instead the wise tell us that it is for the wise to yield...." I always wondered that Ludvik Vaculik, the initiator, editor as well as administration of the samizdat Petlice editions never once expressed toward Slovaks his puzzlement or reproach why in this illegal edition which he called Czechoslovak there were only Czech books published, and only rarely a Slovak one. Along the same lines, I could not understand why exile publishing houses called themselves Czechoslovak and claimed to publish nonconformist Czech and Slovak literature when among the nearly thousand books published there were barely ten written by Slovaks. I am not the only Slovak who was bothered by it and ashamed. True, there are people among us who think differently: Jaroslav Pavlovsky (LITERARNY TYZDENNIK, 20/90) is angry that the exile publishing houses putting out books of the underground Czechoslovak culture, admired by the world and translated into foreign languages, had the nerve calling themselves Czechoslovak when they published essentially only Czech literature. We know well that they would have published also Slovak literature had it existed.

To answer the question why in Slovakia unlike in the Czech lands there was not during the twenty years of the Husak regime a second culture (I guess only with the exception of unofficial plastic arts) is not a job for the archivists of our cultural history. There is no more important and urgent task for the Slovak intelligentsia than facing both nations, Slovak and Czech, with a truthful answer. We have to do it ourselves, the Czechs will not take care of it for us. Overnight, in a revolutionary way, it is possible to change the political system—but not the people's way of thinking; in thinking there can only be continuity. That large community of Czech writers and philosophers who did creative work underground today continues working legally—they need not change anything in their thinking or the way they write. We Slovaks must make it clear to ourselves why for twenty years we were silent or chose to be silent, why we did not create or chose to miscreate, why we did not believe or believed only in one thing: that everything is here for ever, in make-believe, cynicism, futility of every effort to transcend. And in accordance with that we lived and acted.

Because what has changed after November for us, the Slovak workers in culture? That we are quarrelling in public? That we call each other nasty names? That we accuse one another? But after all it's the same thing that had been around for a long time; only now we have transferred our bitterness and complexes from the taverns to the pages of newspapers and journals.

That we are writing overly sophisticated essays replete with fashionable words, hermeneutics, synergy, self-mystification, dialogism? That we are parading as deeply



believing Catholics, or existentialists, or disciples of Popper? The quick de-Marxification hasn't changed us a whit. After all, our orthodox Marxism too was an emotion we derived from lexicons and popular publications. We always put great stock in being worldly wise—few nations can boast such vehement critics of bourgeois philosophy as we were only a few months ago—and if today we want to enter only Europe rather than directly the world, it means that we actually became more modest: the Slovak Foundation [Matica slovenska], we flattered ourselves, was not a European but right away a world institution. That Ludvik Vaculik is making fun of us when he admires us for our worldly-mindedness (LITERARNY TYZDENNIK 14/90) is apparently something we have a hard time noticing.

We have not changed. We are still afraid. We are still cynics. We are still incapable of transcending personal interest. We have not risen to a rigorous self-analysis or woken up from our lethargy.

Were it otherwise we would not be watching with folded arms the attempts to break up our Czechoslovak state. Our silence would not leave the stage open for ill-considered anti-Czech invective. We would not end with a vague general declaration such as the one signed by a handful of Slovak writers. We would confront the separatists face to face, saying that the baroque of old Prague is also our own baroque, that Capek, Seifert, and Kundera are also our own writers, that Smetana's "My Fatherland" [Ma vlast] is also our own fatherland. We would declare proudly that the Slovak culture is a part of Czechoslovak culture, that we are enriched and grow through the fraternal Czech culture and that it is our determination to become equal partners with Czech intellectuals in pursuing our common task.

It is our political interest of the most vital importance to live in a common state with the Czechs and ultimately enter a united Europe jointly. But for an educated Slovak this is also a vital cultural necessity.

## HUNGARY

### Jeszzenszky's Remarks at Copenhagen 35-Nation Human Rights Conference

25000740B Budapest NEPSZABADSAG in Hungarian  
7 Jun 90 p 2

[Article by Oszkar Fuzes: "Central Europeans Jointly for the Minorities; Remarks by the Hungarian Foreign Minister; Jeszenszky Meets Baker"]

[Excerpts] [passage omitted] In his remarks Jeszenszky said: "By all means, Hungary supports the practical enforcement of democratic European values, the establishment of a modern, higher level system of European cooperation. The chief Hungarian foreign policy endeavor is to contribute to the evolution of a new European security and cooperation system based on the primary enforcement of our national interests, to restore

Hungary's traditional European bonds, to develop the sphere of movement for a more balanced foreign policy which serves this purpose, and to join as soon as possible the organizations of West European integration. We intend to strengthen mutually advantageous bonds with our neighbors based on common democratic values, through real and substantive good neighbor and regional cooperation.

"Since the securing of the individual and collective rights of national minorities is organically tied to human rights and to trust among states, we welcome any endeavor which may produce a practical step forward. On the one hand, it is the duty of Hungary to ensure the future of all national minorities within the country's territory by establishing conditions needed to enforce their interests. On the other hand, it is our country's obligation to manifest a special responsibility for the fate of one-third of our nation, the Hungarians who were left outside of our borders as a result of the historic shocks produced by this century. We are realists, aware of the fact that we are sitting here in this conference room with 34 partner countries. For this reason we endeavor to develop, through joint effort, obligations which are acceptable to all of us, and which respond to modern European standards of conduct. Our goal is to develop an international political and legal regulatory system which includes practical opportunities for the preservation of the identity of minorities, for the enforcement of their collective and individual rights, one that provides effective mechanisms for the control of implementation." The Hungarian foreign minister attached great value to the joint, efficient workings of the five Central European states regarding all of this, and said that as one of the initial Copenhagen documents, Hungary, Austria, Italy, the CSFR, and Yugoslavia submitted a joint plan in this regard. [passage omitted]

From among the foreign ministers of the neighboring countries, there was no meeting in Copenhagen with only one person: Celac, the director of Romanian diplomacy. Jeszenszky said that they met several times in the course of the meeting, and the Romanians requested that they receive the text of the proposal submitted by the five countries relative to national minorities. Celac made reference to this document in his remarks, saying that the proposal provides an opportunity for cooperation on several points. Jeszenszky pointed out that far more thorough negotiations are needed with Romania which do not fit into a half an hour long meeting. We are prepared for the scheduling of such a personal discussion, and we are informing the Romanian side accordingly. [passage omitted]

### RMDSZ Prepares To Play Opposition Role

25000740H Budapest NEPSZABADSAG in Hungarian  
12 Jun 90 p 3

[Text] The Democratic Association of Hungarians in Romania [RMDSZ] recommends to the other national minorities represented in Parliament that they establish

a joint platform. It initiates the establishment of a national league. This is the subject of a report by NEPUJSAG published in Marosvasarhely [Tirgu Mures]. It analyzes the tasks involved in the public representation activities of the RMDSZ at the outset of parliamentary life.

In the newspaper's view the most recent presidium meeting held in Sepsiszentgyorgy [Sfintu Gheorghe] appropriately outlined the policy and organizational guidelines the RMDSZ is to follow in both the short and the long term. There was agreement to the effect that considering the National Salvation Front's unfavorable position regarding transformation of the old structures, and its dilatory conduct in regard to nationality issues, the Association cannot agree to play a role in the government to be established in the near future. At the same time the Association does not want to form a coalition with another party, it will not commit itself in any respect, because it regards cooperation and decisions determined in any prevailing situation as being of primary [importance].

In the aftermath of the elections the RMDSZ became the sole, legitimate Hungarian interest representation organization—affirmed by voters—in the country's parliamentary life. The RMDSZ retains its variety of colors, and in the county elections scheduled for the fall it will once again run on a joint, unified slate.

HARGITA NEPE also reports on the parliamentary activities of the RMDSZ. The newspaper points out that the Association intends to pursue constructive political activities with the ratio it achieved in the elections, and will accept the situation in Parliament that flows from being in the opposition. The RMDSZ is preparing itself so that its policies will be valid in a situation when the government manifests an initiative in regard to matters of concern to nationalities, and requests the Association to cooperate.

On the pages of FRISS UJSAG, published in Szatmarnemeti [Satu Mare], Szatmar County RMDSZ representative Attila Varga conveys his view concerning the Association's role in Parliament. In the representative's view one of the most important tasks is the development of a nationalities law, and in addition to that, the support of a social structure which could also be advantageous from the standpoint of nationalities. The RMDSZ would be seeking partners to accomplish this. The representative believes that a certain level of cooperation with the National Liberal Party offers the best opportunity, because that party's economic and social program comes closest to the RMDSZ goals.

A new law concerning church affairs is being prepared in Romania. In conjunction with this law Religious Affairs Minister Nicolae Stoicescu held discussions the other day with the church leaders in Romania.

In a statement made by Reformed Church Bishop Laszlo Tokes from the Kiralyhago area at the meeting, he said that the creation of a new church affairs law is of extreme

importance, because the laws enacted in 1948 are still in force. It will not suffice for the state only to consult with representatives of various churches concerning the proposed law. There is an express need to develop the law on church affairs jointly with the representatives of churches.

Relative to the new church affairs law being developed, the bishops of the Transylvanian Hungarian churches adopted a document at their conference in Kolozsvár [Cluj] and forwarded the same to Stoicescu. This document states that the new law must contain the basic conditions which the Roman Catholic, the Reformed, the Council Presbyterian Evangelical, and the Unitarian Church leaders stated in their letter of intent last January. Thus far there has been no response to that letter.

"Since we regard this document as the basis for discussion concerning the relationship between the churches and the state, we believe that the development of the legislative proposal must be preceded by an official state recognition of the contents of the letter of intent," the church leaders said.

The document was signed by Transylvanian Reformed Church District Bishop Dr. Kalman Csiha; Nagyvarad [Oradea] Roman Catholic Church District Bishop Jozsef Tempfli; Laszlo Tokes, the Reformed Church bishop of the Kiralyhago area; Denes Csiki, director and counsellor to the Gyulafehervar [Alba Julia] Roman Catholic Church district; Pal Szedressy, the superintendent of the Council Presbyterian Evangelical Church; and Unitarian Bishop Lajos Kovacs.

#### **National Security Chief Protests TV Program Involving Csaszar**

*25000740D Budapest NEPSZABADSAG in Hungarian  
7 Jun 90 p 5*

[National Press Service Report]

[Text] On 5 June 1990, Dr. Csaba Ilkei, the editor in charge of the Hungarian Television UJ REFLEKTOR MAGAZIN, broadcast on Channel 1 only random excerpts from my 1 June 1990 letter, despite my express request to publicize the full text.

Mr. Ilkei regarded several facts which I believe are important as "irrelevant." To my sincere shock, I heard certain data pertaining to my person from the mouth of Vilmos Csaszar, which I presented at the latest closed session of the National Security Committee for the committee's information only. Therefore, as head of the National Security Office I find it necessary to publicize the entire text of my letter:

*Dear Mr. Ilkei!*

*I, the chairman of the Hungarian Republic National Security Office, consider it to be extremely important, and*



*from the standpoint of informing the public, also necessary, that information provided concerning cases within the interest sphere of Hungarian national security be correct and authentic.*

*On the other hand, I do not participate either in person or through my representative at the studio in debate having the intent of clarifying matters as you stated, offered by you. I do so in part because as a government official I do not want to sit at the same table with a person who has been banned from the territory of the Austrian Republic on suspicion of spying, and who was helped by the BND (West German Intelligence Service—the editor) to escape from the German Federal Republic to the United States. Further, I do not wish to be related in any way to Vilmos Csatzar, who slanders the leaders and subordinates of foreign trade organs and of former state security organs without presenting proof. Quite naturally, I will provide the documents generated at the legal predecessor of our office, the BM III/II counterintelligence group command relative to the case of Vilmos Csatzar, for review by the committee to be established by Parliament or the government.*

*Respected Mr. Ilkei, I would like to note that along with all of this I regard my appearance in a program whose responsible leader is a member of the National Security Committee that is supposed to oversee the National Security Office as incompatible.*

*Based on all of this I request that in the interest of properly informing the public, you report the full text of my letter in the next program of UJ REFLEKTOR MAGAZIN.*

*Much success in your further work.*

Colonel Lajos Nagy  
1 June 1990

## POLAND

### Number of Supreme Court Judges Set

90P20059B Warsaw RZECZPOSPOLITA in Polish  
16 May 90 p 1

[Unattributed article]

[Text] In connection with the completion on 30 June of the term of the present Supreme Court, President Wojciech Jaruzelski, in agreement with the motion of the National Judicial Council, has established that the Supreme Court will be composed of 73 judges, including five presidents of the Supreme Court, together with the first president of this court.

### French Journalist Views Prospects of Walesa Presidency

90EP0622A Paris LIBERATION in French 8 Jun 90 p 4

[Article by Pierre Vodnik: "What Does Walesa Want?"]

[Text] What does he really want, this "iron man" now dubbed "absolute monarch" by GAZETA, the Solidarity

newspaper which is no longer his? The optimists believe that Lech Walesa only wants to become president of the republic. The number of Walesa supporters are constantly shrinking, and his proponents are becoming scarcer with each mistake, political blunder, and simple human error.

His popularity index has been free-falling for the past six months, and new polls place Walesa far behind Tadeusz Mazowiecki and Bronislaw Geremek, his two former advisers who have become the main actors on Poland's political scene. Hard to believe, but, in the preliminary polls for the next presidential election, Lech Walesa has even fallen behind General Jaruzelski!

Lech Walesa has always been highly sensitive about his public image. Long isolated from his supporters during the year of his internment and later during the union's clandestine period and the normalization of relations during the 1980's, Walesa belongs to that breed of politicians which draws all of its strength from the enthusiasm of the masses. He drinks in admiration and exudes charisma. When the enthusiasm wanes, the charisma is suddenly viewed as an awkward attempt to gain popularity.

In one of his recent biographies, the Solidarity leader for the first time discusses a very important event in his life. In 1983, a few months after his release from the prison camp, Lech Walesa found himself in total isolation in Gdansk. His advisers were far off in Warsaw and experienced great difficulty in communicating with the electrical engineer, even by telephone, which the police monitored night and day. His entourage was terrorized by the omnipresent SB (secret police) agents who prevented contact with the public and and cut him off completely from his closest associates.

Walesa began to have doubts. He spent days listening to Western radio stations, the only ones that uttered the name of the Solidarity hero. He wandered through the streets of Gdansk, looking for signs of recognition from passers-by. Then, one day, in order to find out whether the Poles still remembered their idol, he attended a sports event at the Lechia stadium in Gdansk, where the home team was playing against the Juventus. People immediately recognized Walesa, and suddenly the entire stadium began to chant his name: "Lech, Lech!" Walesa was saved. He was again the iron man of Wajda's film.

The optimists therefore explain that Walesa is now searching for his stadium and since he cannot find it, he is beginning to have doubts, to weaken, to commit error upon error in order to move faster, to save what is left of his image. He launches his electoral campaign proposing a presidential election six years ahead of schedule because he fears he will be forgotten. He kicks it off again, claiming it is no longer possible to wait for next spring as decided at the second Solidarity congress a month ago. These elections, he claims, should be held as soon as possible, in the fall.

To explain the reasons for his impatience, Walesa first attacks Prime Minister Mazowiecki. Mazowiecki is "slow," someone needs to be on top of him to push him, states Walesa. But he is also a potential rival in the race for the presidency. The former adviser to the Nobel prize winner—a man so discreet his name was better known abroad, especially in France and in Italy, than in Poland—suddenly became the great favorite of the masses.

In the polls, Mazowiecki's popularity surpasses the 80-percent mark and his ratings have not changed for six months. This is truly a miracle and astounds all the sociologists, political sociologists, advertising types, and even the cardinals.... The Poles' standard of living constantly decreases, problems stack up: Unemployment appears for the first time since the interwar period, with soup lines and abject poverty—yet the ratings of the man responsible continue to improve!

There is a dark side to the "Mazowiecki miracle." The sun rises over the prime minister and sets over Lech Walesa. It makes one want to believe in the legend of the sorcerer's apprentice. If only it were possible to know for a fact who is the sorcerer: the hero or his adviser.

Meanwhile, a second adviser, Professor Geremek, who, after many years of silence and censorship, is also better known to readers of the international press than to Polish television audiences (Geremek never appeared on television until June 1989), now ranks second in the polls. And a third, Jacek Kuron, the ever-present dissident, now minister of labor, also becomes a star. And a fourth, Adam Michnik, GAZETA's editor, contrary to reasonable expectations—he stutters and even now favors worn-out Adidas—suddenly becomes the star of Parliament, the darling of the disco audience, and the love of the country priests. Well, that's a bit too much....

This is the optimists' explanation. That of the pessimists goes a little further. They do not deny that Lech Walesa was a show-business superstar. The talented puppet, computer-selected by a good producer from among thousands of other look-alikes. It has a good voice, talent, good looks, and, with a great advertising campaign, will make the crowds dream.

It must be recognized that the promotional campaign was exemplary. We all fell in love with this mustachioed man, with his small, elegant wife, his eight children—a model Catholic. We all had to choose between him and the sunglass-clad general, between Walesa and the Communist union leader Miodowicz, between Nobel prize winning Walesa and the 10 million Solidarity members he represented in our view. The choice was not difficult to make. Now it is, since Walesa has so awkwardly chosen his new opponents. The view of the extreme pessimists even goes a step further. Not only has Walesa lost his former advisers but, because of a strategic error or a simple chance occurrence, he has replaced them with others who are less effective and want to prove their superiority over the old advisers at any cost. In other

words, according to the extreme pessimists, the worst possible events have occurred in succession. One: Walesa has decided to become president. Two: He will not make a good president, something he is now proving on a daily basis. Three: He doesn't know this. Four: He has extremely poor advisers who manipulate him at will. Five: His advisers have decided to follow through to the end. The Nobel prize winner's new advisers are both named Kaczynski, they are twirls, attorneys aged 41. The first, Lech, wears a mustache. Walesa recently appointed him first vice president of Solidarity; he is in line for the top spot if the boss is elected president. The second is editor in chief of the weekly SOLIDARNOSC and chairman of the Center Union he recently created to form a presidential party as a vehicle for Walesa. The twins are child prodigies: They began their careers at the age of seven, when they landed the starring roles in the children's film "Those Who Stole the Moon." Fortunately, Poland does not consist only of twins, pessimists, and extreme pessimists. There are also extreme optimists in Poland. These are easy to identify: The worse things get, the more they joke. The latest: Do the Kaczynski twins really want to be president of the republic? No, they want to be Walesa.

## YUGOSLAVIA

### Tudjman's Inaugural Speech Analyzed

90BA0157A Belgrade POLITIKA in Serbo-Croatian  
3 Jun 90 p 11

[Article by Radoje Arsenic: "Is Tudjman Getting Rid of His 'Hawks'?"]

[Text] Zagreb, 2 July—After the overwhelming electoral victory of the Croatian Democratic Community [HDZ], the beginning of the formation of the new Croatian government is taking place with less tension than many people expected. That, naturally, does not have to mean anything in particular for the essence of the matter, but the fact is that the ruling party, judging from its actions after the elections, is visibly trying to calm things down, which also has had a direct influence on the above-mentioned impression.

This primarily applies to the composition of the republic government, which does not include any of the HDZ "hawks" who confirmed themselves to be such during the election campaign. A large majority of the Executive Council does consist of HDZ members, and it is ethnically "pure," but it also has members who, at least publicly, do not belong to any one party, but are instead well-known experts in the area they deal with. It is interesting that of the three vice presidents of the Executive Council, two are nonparty figures (Law School Prof. Milan Ramljak and Economic School Prof. Mate Babic), while the third, Bernardo Jurlina, has strolled through three parties—from the Croatian LC [League of

Communists], through the SSH [Trade Union Federation of Croatia], to the HDZ (which he joined after the elections).

The general impression is also that in his public statements to date the new republic prime minister, Stjepan Mesic, even during the election campaign, has not said anything that would insult or irritate political opponents—which does not apply to most HDZ leaders.

#### **What Is the New Government Bringing?**

All of this, however, is not enough to determine what the new government is bringing, and so it is essential to make a rather careful analysis of the first official speech by Dr. Franjo Tudjman, the president of the Croatian Presidency, which was delivered in the Croatian Assembly immediately after his election to that office.

The main theme through which that new government will prove and express itself is the relationship between Croatia and Yugoslavia, and at least as far as Tudjman is concerned, there is nothing new in this, although at the Assembly podium he avoided certain "hard-line" expressions that "made him famous" during the election campaign. His support for a "free and independent Croatia" (as it is usually formulated here) does not make it seem at all that Yugoslavia is also a state, and this is precisely the reason for the biggest disagreements with the HDZ.

Tudjman, in fact, claims that the HDZ is not a separatist movement (in a recent NOVA MAKEDONIJA interview), but at the same time talks about Croatia as an independent state, while he thinks of Yugoslavia as some sort of community based on treaties. It follows from that that Yugoslavia is not even a state, and so it is logical that his movement is not a separatist one, since there is nothing to secede from.

The reality, however, is quite different, as Tudjman himself knows, and so in his first speech to the Assembly, he stated, "Since we ought to proceed from the fact that Croatia is part of a Yugoslavia that is a recognized member of the international community, we are prepared to negotiate with representatives of the other peoples of the SFRY and the federal bodies in order to regulate our mutual relations by treaty."

#### **Yugoslavia, According to Tudjman, Is No Longer a State**

We have yet to see what that really means, but so that there would be no confusion, he continued by specifying: "On the basis of our total historical experience, we maintain that the state sovereignty of Croatia, in a community with the other peoples of today's SFRY, can be ensured only on a confederal basis, as an alliance by treaty of sovereign states."

He described how that appeared to him as follows: "For those who cannot find a model for such a confederation, we indicate the modern example of the creation of the European Community."

The future of Yugoslavia, as Tudjman and his HDZ conceive it, is thus fairly clear: it is no longer a state (because the European Community is not), and everything is settled through mutual treaties among independent states, just as with any other state in the world. After this, his statement about the Yugoslav National Army a month ago in an interview by the German DIE WELT also becomes much clearer: "A joint army and defense can exist only in the same way as the NATO countries have joint institutions. We do not want to have ethnically mixed units in the future," he stated.

Much misunderstanding, suspicion, and caution among those who do not agree with Tudjman and the HDZ has resulted from a sort of nostalgia on their part for Austria-Hungary, which can be perceived from the public appearances by representatives of that party and their sympathizers.

#### **New President Did Not Even Mention Serbs**

Tudjman devoted a considerable portion of his inaugural appearance at the opening session of the Croatian Assembly to the historical roots of Croatian statehood, portraying Croatia as virtually an independent state within the framework of Austria-Hungary. He did not mention that not one decision by the Croatian Assembly at that time was valid unless it was confirmed by the court in Vienna, but on the other hand he emphasized that the "1 December 1918 act concerning the unification of this state (the Kingdom of Croatia, Dalmatia, and Slavonia) and the Kingdom of Serbia into the Kingdom of the Serbs, Croats, and Slovenes was never ratified by the Croatian Assembly," from which clear conclusions can be drawn.

At the same session of the Croatian Assembly, Baron Janko Vranicani-Dobrinovic (who lives in Brussels) dealt with one of those conclusions; in welcoming the new representatives in front of the old Croatian nobility, he said "What was once interrupted in 1918 is being continued today." He received cordial applause.

Yet another previous statement by Franjo Tudjman thus now becomes even clearer—i.e., what he said in the same DIE WELT interview a month ago, that it would have been "more sensible to preserve the Hapsburg monarchy as the nucleus of a united Europe," and also that "Croatia, in accordance with its geopolitical position and cultural and economic interests, will have closer ties with Germany than with any other country."

Among the substantive issues on which the new government will very soon have to take a stand is interethnic relations—more specifically, its attitude toward the Serbs in Croatia. Whereas the Serbs have been an integral part of Croatian statehood as a result of the joint bloody struggle against the fascist occupiers and their



followers organized as the NDH [Independent State of Croatia], i.e., from ZAVNOH [Anti-Fascist Council of People's Liberation of Croatia] to the present, the representatives of the new government are not speaking that way now. Furthermore, the HDZ "hard line," symbolized by Dr. Sime Djodan, who is well known for his insulting and chauvinist statements, wants to reduce the Serbs in Croatia to a national minority, but the HDZ's leader himself, Dr. Franjo Tudjman, now officially the leader of Croatia, has not said anything specific about this. In response to a direct question during an interview by DANAS a month ago, "Will Serbs be treated as a national minority?" he answered, "I do not want to go into that. That is a constitutional and legislative problem, and it should be solved in the Assembly."

Obviously avoiding the fact that this is also an extremely important political problem that he has to take a precise position on, Tudjman also remained consistent on this in his first official speech to the Croatian Assembly, where in his capacity as president of the Croatian Presidency, he did not even mention the Serbs. He did not mention either them, or how he viewed interethnic relations in Croatia under the new government. That has never happened before in the Croatian Assembly on such occasions, and so certain conclusions should obviously be drawn from that fact as well.

#### **Reports of Formation of New Kosovo Police Units Denied**

90BA0166B Belgrade POLITIKA in Serbo-Croatian  
9 Jun 90 p 5

[Text] In a session on 7 June, the Council for Protection of the Constitutional Order of SR [Socialist Republic] Serbia took up certain matters related to the handling of public security affairs in SAP [Socialist Autonomous Province] Kosovo, matters which in recent days have been the subject of various comment in the news media and the public at large, as well as the occasion for justified dissatisfaction and protest, especially among the Serbian and Montenegrin population in Kosovo.

The council noted in this connection that new police stations have not been created, nor are there new special units of the Provincial Secretariat for Internal Affairs of SAP Kosovo, as was reported in certain news media.

In all towns in the province, authorities of the Republic Secretariat for Internal Affairs [SUP] of Serbia have been performing their functions fully in accord with the Decision of the Presidency of SR Serbia, the communique from the meeting of the council stated.

This presupposes that members of the republic SUP are at work on the spot in all police stations and concerning all matters which have to do with a threat to the public peace and order or any other threat or violation of civil rights. Accordingly, there is no parallel operation on these matters whatsoever. A small number of police personnel from the provincial SUP have been employed only on a portion of the functions which have been

undertaken, and they are mainly the functions of assistance concerning some of the public security functions in accordance with the Law.

Only those personnel of law enforcement agencies who have not been taken over into special police units of the republic Secretariat for Internal Affairs, and against whom no measure of suspension has been applied, that is, against whom no relevant disciplinary proceedings have been instituted for ascertainment of fitness for further work in law enforcement agencies, may be assigned to the performance of law enforcement duties.

The council also noted that it is not a question of the existence of "two police departments," nor of the existence of an "alternative police." The functions of the SUP are regulated by the relevant instructions and decisions of the republic Secretariat for Internal Affairs, which guarantees uniform operation of law enforcement agencies in SAP Kosovo.

The decision of the Presidency of SR Serbia for the republic Secretariat for Internal Affairs to take over and perform certain functions of state and public security on the territory of SAP Kosovo is being implemented, and the republic Secretariat for Internal Affairs is fully responsible for the performance of all the functions of state and public security taken over in SAP Kosovo, as well as for overall security on the territory of SAP Kosovo.

In view of the reactions and protests that have occurred in recent days among citizens of Serbian and Montenegrin nationality in Kosovo, in large part because of vague, inaccurate, and also malicious information in certain news media, and also in view of the importance of these matters to the political situation and the security situation, the council orders the republic Secretariat for Internal Affairs to take every necessary step to prevent employment of those members of the police in SAP Kosovo who in their actions, behavior, and overall attitude toward the service have violated the legal and other regulations in effect that apply to the work of members of law enforcement agencies, and also to monitor the future behavior of all members of the police and discharge from the service those who display a negative attitude toward their obligations, the communique stated in conclusion.

#### **Bosnian Muslim Party Leader on Country's Future**

90BA0166A Belgrade BORBA in Serbo-Croatian  
9-10 Jun 90 p 5

[interview with Alija Izetbegovic, leader of the Democratic Action Party, by Zeljko Vukovic; place and date not given: "Compromises in Two Halftimes"]

[Text] Alija Izetbegovic, leader of the Democratic Action Party, which if national parties are legalized in Bosnia-Herzegovina will immediately change its name to the "Muslim Party," has by our standards what is now the

standard biography of a national leader. Back in 1946, accused of being a "young Muslim," he was sentenced to three years in prison. Seven years ago, as the author of the so-called Islamic Declaration, he was sentenced to 14 years in prison (he served five years eight months) in the famous Sarajevo trial of the "Islamic fundamentalist."

He is a lawyer by training; a journalist, author of several books; retired; in excellent physical condition; calm and tactical in conversation; speaks without hesitation "in the name of the people" to which he belongs; makes a convincing impression. He skillfully evades taking a position on other figures.

[Vukovic] The main reason you give for establishing the Democratic Action Party [SDA], in actuality the "Muslim Party," is that the Muslim people is in a period of uncertainty. To what kind of uncertainty are you referring?

[Izetbegovic] The impossibility of forecasting with any kind of certainty where Yugoslavia is going generates a state of uncertainty for everyone in the country, for all the nationalities, but for the Muslim nationality in particular. After all, Muslims do not have their own national state. They have a state together with others, which certainly makes their position more complicated. Thanks to the policy of the last 40 some years, they have not sufficiently affirmed themselves as a nationality, they have not been sufficiently aware, and their interests have not been articulated in any manner whatsoever.

#### **Bosnia and the Old Formulas**

[Vukovic] Muhamed Filipovic, member of the academy and the leader of the "Forum for Muslim Rights," says that all nationalities in Bosnia-Herzegovina feel the lack of their own state and that because of the indivisibility of sovereignty they should earn and gain in a democratic political struggle the right to "exercise" sovereignty on behalf of others. How do you look upon that problem?

[Izetbegovic] That phrase "and in the name of others," if I understand it rightly, is a bit too bold for my taste. The question of sovereignty in Bosnia-Herzegovina is a very difficult issue. In view of the mixed character of the state, it will most probably be expressed in the end in the sovereignty of the republic. One of the solutions being sought is a second house of the assembly, a chamber of nationalities, in which the most basic issues of the republic would be decided on the principle of unanimity. My party favors any solution that would create a sense of equality, a sense that this is a common state in which no one in the community will be outvoted. But the fear of that does exist. Specifically, the fear that the Muslim nationality, which has a majority in Bosnia-Herzegovina, could "disenfranchise" some other nationality by outvoting it or some improper coalition. There can be no stable Bosnia without some kind of agreement among these three nationalities. Political stability is the precondition for solving the problems of the economy, the business community, the environment, and so on. If in Bosnia-Herzegovina we allow interethnic problems, a

lack of confidence on the part of some nationality, the feeling that something has been imposed on them—there is no approach to solving all those burning problems of the economy, culture, and the environment. It thus turns out that a solution for Bosnia-Herzegovina should, nevertheless, be sought in the old formula, which runs: that Bosnia belongs to the Muslims, to the Serbs, to the Croats, and to all the others who live in it.

[Vukovic] The proposed amendments to the republic Constitution provide for ethnic proportions in government bodies and executive bodies. If the forecast you have made and that has been made by many people in and around your party, that in the November elections you will win 35-40 percent of the vote, and this constitutional obligation is in effect, that will signify a necessary concession on the part of the winner. Does that concession nullify in advance the will of the voters when it comes down to practical matters?

[Izetbegovic] For the moment, I truly do not see a solution to this problem. On the one hand, what the nationalities have decided in the election is legitimate, and on the other the demand for proportional representation is also legitimate. At first glance, those first two principles seem to be in conflict. However, life is full of these "impossibilities" which people find a way out of. Everything that is built in Bosnia, which is a completely mixed community, will be built on certain concessions and compromises. It is indispensable that these three nationalities, and I am not forgetting the others, elect their own authentic representatives (which is why I have been pleading for the channels to be opened to national parties). Once they have the legitimacy of free elections, they will be able to negotiate and make concessions, since they will have both the confidence and the mandate of the people to do so. Compromises are simply a law here.

#### **Preservation of Bosnia-Herzegovina as a Republic**

[Vukovic] Do you look at the future Yugoslavia in the same way?

[Izetbegovic] The mere mention of a confederation arouses in Bosnia-Herzegovina centrifugal forces that already exist. They raise additional dilemmas when we already have enough. The Serbs and Croats feel differently in a federal state; federal boundaries have less importance there. In a confederation, those boundaries are real state boundaries, and it is possible to feel that one is living in some other state. Then the question will be raised to which I do not know our answer. I would simply like to avoid that question. I personally have a great deal of affinity for a confederation, but it is not realistic from the standpoint of Bosnia-Herzegovina. We need not be in love with Yugoslavia, but it could be at least our interest. I am personally convinced that there is a solution in the form of a modern and sensible federation in which the sovereignty of the nationalities or republics is the basic premise.



[Vukovic] Are you afraid that your party will not be registered, since it is inherently ethnic? The prohibition against organization on an ethnic basis in Bosnia-Herzegovina will still be in effect for at least another month.

[Izetbegovic] First, our party is not strictly ethnic, and second, there is no problem about registration. We expect that job to be done at the beginning of next week. There are no reasons why they should make problems for us. In Travnik, for example, we have an initiating committee that includes quite a few Croats and Serbs. The program we are offering Bosnia-Herzegovina is absolutely to the liking of the Muslim nationality, but that does not necessarily mean that it is [not] to the liking of the Serbian and Croatian nationalities. We are a democratic party and we are seeking preservation of Bosnia-Herzegovina as a republic. All those who cherish the democracy and stability of Bosnia-Herzegovina are natural allies, regardless of whether they are members or partners. That is a program which is most to the liking of the Serbian and Croatian nationalities. Unless we adhere to the principle of "let my neighbor's cow die." No one can be in our party who counts on negating the basic and major position in that program—which has to do with the equality of those three nationalities in Bosnia-Herzegovina.

[Vukovic] Will you institutionalize those programmatic commitments if you come to power? After all, a party's promises are one thing and a governmental guarantee is something else.

[Izetbegovic] For the present, our party wants positions from which it can have an influence or share power with someone. Realistically, no one in Bosnia will be able to exercise power alone. It is that kind of country. Even the Turks thought that they were ruling Bosnia, but that was only their illusion. Institutionalization is a matter for the "2d half." This now is the 1st half in which the struggle is being waged to win over voters, that is, deputy seats in the parliament so as to be able to influence the drafting of future laws. We have made a commitment in our program to try to see that no one is dissatisfied. Nothing can be done in Bosnia-Herzegovina unless the three major nationalities concur.

#### **A Story That Begins Like a Fairy Tale**

[Vukovic] The "Muslim Party" intends to operate outside Bosnia-Herzegovina as well?

[Izetbegovic] The party will be forming its own subcommittees even outside Bosnia-Herzegovina. We thus anticipate establishment of branches in Zagreb in the next two weeks and then in Novi Pazar and Kosovo. Everywhere, of course, in keeping with the law of the parent republic and the federal laws regulating this subject matter. The party does have ambitions of that kind. But the most important battle is lost or won in Bosnia-Herzegovina.

[Vukovic] You will be advocating the cultural autonomy of Muslims in the Sanjak. This is being variously interpreted....

[Izetbegovic] The cultural autonomy of a nationality which is outside its own republic is a matter already set down in our Constitution and guaranteed by international conventions. However, people are sensitive, certain communities especially. On the TV program "Dialogues," a member of the Presidency of SR [Socialist Republic] Serbia spoke about the cultural autonomy of the Serbian nationality in Croatia, and people from that same official body reacted when there was mention of cultural autonomy of the Muslim nationality in Sanjak. So, absolute denial of any reciprocity or readiness in that sense. What does the concept of cultural autonomy embrace? First of all, precisely the expression of ethnic identity, belonging to a nationality, the nurturing of separateness as to language (if it exists), one's own cultural legacy, the creation of cultural associations in which one nurtures and promotes that cultural and ethnic identity. It does not bother us at all if the Luzica Serbs, Ruthenians, or any other minority establishes an association in Bosnia-Herzegovina, publishes books.... So why should that bother anybody in the Sanjak where about 200,000 Muslims live?!

[Vukovic] The increasingly tense political situation in the Sanjak is generating additional disagreements?

[Izetbegovic] Every reasonable demand of the Muslims in Sanjak is being described as some extremist demand. But that is no wonder, when we experience something similar here in Bosnia. I always remember a story that begins like a fairy tale, but it is true. Two brothers lived on the same farm. The older one was authoritative, the younger was obedient, as used to be the custom. The former was for all practical purposes the owner of the farm and the latter only a hired worker. Thus, that "concord" lasted until one day the younger brother thought of demanding his rights. Then relations were disturbed. Only because this one finally said that it should be clear what was his and what belonged to his older brother. I think that now in Bosnia we have encountered a lack of understanding, since we said that Muslims want their (not someone else's) rights and that they will never again allow themselves to be manipulated. We are demanding only our rights, and people are afraid as though we want to take something away from someone. We are demanding only the same thing as the younger brother in that story.

#### **Preservation From a Breakup of Yugoslavia**

[Vukovic] The negative reactions are evident?

[Izetbegovic] It is a fact that there were reactions to our announcement that we are alive and exist. They called us "Tudjmanites." We don't want to take anyone's rights, but we will no longer allow just anyone to represent us here. The custom was to find some anonymous individual who had a Muslim name, and that meant that the Muslim nationality was represented. We no longer

accept that kind of solution. We think that Muslims do not present a danger to anyone, neither here nor elsewhere. On the contrary, I believe that one day, from a bit longer historical distance, the judgment will be that by our emergence we managed to preserve Bosnia-Herzegovina, and thereby also Yugoslavia, from a breakup. People will see that this was also a worthwhile event for the Serbs and Croats in Bosnia-Herzegovina, since it will spare them great trouble. A breakup of Bosnia could not be painless, I am afraid that there would be a bloody civil war. I think that we have emerged to prevent that.

[Vukovic] There is a fear that the "Muslim Party" might be a religious-ethnic party. There is even mention of a personal union....

[Izetbegovic] There is not a single religious officer in the leadership of our party, on the initiating committee they represent one or two out of 60. We want to nurture that principle of separateness. Our political party is very broad, it includes a great many liberal, secular, and democratic elements which could outweigh the right-wing elements that also exist in the party. It is normal for those right-wing elements to be there. At the same time, the people whom we are addressing are largely religious, and, of course, that fact must be reflected in the party. However, this does not make it religious. The presence of differing currents in the party guarantees that the party will follow some middle course. We want to make a party of the center. It will have its left wing and right wing, which is the destiny of every large party. If it does not have them, then it is sectarian.

[Vukovic] You said that there would be no revanchism if you win in the November elections. To whom have you sent that message?

[Izetbegovic] The reference is to hundreds of people who in one way or another have done things which were not proper. All of that has to be put in a historical context. I believe it is a mistaken doctrine which taught people that they could rule without the right to do so. Many believed that this was the case, and that is how they behaved. Anyone who became a part of that "machinery" had to act that way. In my eyes, this excuses a large number of people. I think that we will all have much more urgent business than to concern ourselves with guilt and justice. We feel that there is another responsibility, a responsibility to ourselves, and I also believe a responsibility to God. The people will need someone who will answer the question of how to survive, not someone who will rig trials and similar "account settling."

[Vukovic] There have been differing interpretations among the public of your position on the personnel policy which you intend to conduct?

[Izetbegovic] This has to do with an unclear sentence published in the Sarajevo OSLOBODJENJE which many people interpreted as our position that we would conduct a personnel policy above all according to ethnic background, and only then on the basis of ability. No one

ever said that kind of nonsense, nor is it in any document. Unless we lose our minds altogether, we will do just the opposite. This means that people able to work and who want to honestly serve the nationalities of Bosnia-Herzegovina should be put in all the jobs. That is, not to serve the party, but the people. For the present, of course, you have to take our word for it, since we do not have other proof.

[Vukovic] Will there also be people on the ballot who do not belong to your party and the Muslim nationality?

[Izetbegovic] We will have a great many independent candidates for parliament seats, and they will represent differing views and ethnic groups. There is no other way we can go about it. At the same time, we do not have enough people to fill all the positions, even if we wanted to, this would not be a representative selection. We will try to get people whose moral and personal identity has not been impaired.

[Box, p. 10]

#### Kosovo Syndromes

[Vukovic] Your country supports the declaration "in favor of democracy—against violence" of the Albanian alternative?

[Izetbegovic] No one in Yugoslavia can engage in politics without taking a position toward Kosovo. In the briefest terms, repression is not the way out, but democracy. The principle of democracy in Kosovo could bring about certain realignments which are not in line with the desires and plans of some people. However, what happens there is in any case going to be what the people there want, whatever that might be. I do not know exactly what it wants, I have not been in Kosovo for 10 years, but I have no reason not to believe a declaration signed by prestigious people, among them many Serbs. Cosja and Cana have recently assured me that they personally have always advocated the Yugoslav option and that that option continues to be strong in Kosovo. We want Yugoslavia to survive, and we certainly would not support anyone who wants to break up Yugoslavia. I think that Yugoslavia must satisfy the demands of all peoples, including the Albanians, who number more than 2 million. No solution can be found that is against them or bypasses them. As long as there are reasonable people who advocate the Yugoslav option in Kosovo, we should talk to them. Expansionist ambitions from either side would then be unable to make their way.

[Box, p. 9]

#### The Regime and Withdrawal

[Vukovic] How do you perceive the attitude of the present regime in Bosnia-Herzegovina toward your party?

[Izetbegovic] It is understandable that a regime must take an adverse attitude toward any competitor. This

regime has power in its hands, and it is still using that power, holding the news media under its paw. In my opinion, the present regime in Bosnia-Herzegovina has not been displaying the necessary political wisdom, nor is it up to the demands of this moment in history. The only ones who have risen to that level are the Communists who have realized that it is their task to organize free elections, to expose themselves to the judgment of the people, and to accept that judgment. Like any

regime, this one has done some good things and some bad things. However, the game over a legal ban on organizing on an ethnic basis in Bosnia-Herzegovina is giving rise to doubt as to the sincerity of their democracy. They speak of nothing else but democracy, but when it comes down to cases, then they back off. However, the debates and the games played over that law show that there are two currents in the present regime. We will see which one wins.

## GERMAN DEMOCRATIC REPUBLIC

### Mielke's Leadership of State Security Assessed

90GE0158A Bonn DIE WELT in German 8 Jun 90 p 6

[Interview with unnamed former MfS [Ministry for State Security] officer by Manfred Schell and Werner Kalinka; place and date not given: "Honecker Was Blackmailing Mielke: 'What Are the Limits of Your Pension?'—The MfS Chief Was Able To Stay at the Top Only by Depicting an 'Undamaged World'"; continuing series on "The Truth About the Stasi"—first paragraph is DIE WELT introduction]

[Text] Mielke, who at one time helped Honecker to topple Ulbricht, made sure, primarily in recent years, that he enjoyed the goodwill of the state and party chief by no longer reporting on the actual attitudes of the populace, but rather by changing the situation reports in such a positive manner that they appealed to Honecker. If the MfS [Ministry for State Security] reports were not to the liking of the PDS [Party of Democratic Socialism]-predecessor SED [Socialist Unity Party of Germany], he made allusions to Mielke's age with remarks which could not be misunderstood: whether, at age 80, one could still be an army general on active duty, he asked, or he mentioned the names of younger bezirk secretaries in whom he had absolute confidence that they could lead the Stasi. Mielke was allegedly regularly blackmailed by Honecker, according to the former high-ranking officer of the Ministry for State Security with whom Manfred Schell and Werner Kalinka spoke.

[DIE WELT] How was Mielke managing the MfS?

[MfS Officer] Mielke handled it strictly, independently, and in a confident manner. His authority was never doubted by anyone during his time in office.

[DIE WELT] His relationship with Honecker?

[MfS Officer] Mielke was Ulbricht's devoted man, but later helped Honecker overthrow Ulbricht and subsequently became Honecker's most loyal collaborator. Apart from Mittag and Hermann, Mielke was one of the few people who had constant and direct access to the state and party chief.

Honecker was engaged in the conduct of a highly differentiated policy with regard to Mielke. As long as Mielke pleased him and did not disturb him with any uncomfortable realistic information, Mielke could be certain that despite his age (he was born in 1907—the editors) he would stay in office as the chief of the MfS in the rank of an army general. As soon as Mielke confronted Honecker with critically realistic information regarding the situation in the GDR, he was virtually blackmailed. This occurred in the form of remarks regarding the retirement age in the military, questions of whether, at age 80, one could still hold the rank of army general or whether, in view of the retirement age, something would need changing. Sometimes, these remarks were even more

direct: Mielke was asked to submit proposals for his successor from among the leading employees of the MfS. In this connection, Honecker would speak about one or another bezirk secretary who was, after all, also a suitable head for the ministry. The fact that he did not relieve Mielke from his post as chief of the MfS as a loyal supporter of his policy was closely connected with the method he used to discipline him and intimidate him regularly. Mielke knew: if he came with uncomfortable reports too frequently, he would lose his job. Naturally, this was not without its influence on the minister who wanted to keep his job; as depicted, toward the end, Mielke gave Honecker only positive reports on the people's attitudes regarding Honecker. The extent to which the situation was prettified to show an "undamaged world" and the extent to which this resulted in self-delusion is barely comprehensible.

[DIE WELT] After all, he did not say in the People's Chamber speech that he always reported.

[MfS Officer] The Mielke in the People's Chamber session was a different person (with the sentence "I love, I love everyone," Mielke caused laughter in November 1989 among his SED colleagues as he attempted to defend himself in the People's Chamber—the editors). For all those who knew Mielke, this appearance was beyond understanding. In his area, Mielke as probably one of the most brilliant rhetoricians whom I had met. I can only explain his appearance in the People's Chamber by saying that he already knew that these were the last hours of his power and that his desperation over the situation robbed him of his common sense.

[DIE WELT] The denials of reality engaged in by Mielke and Honecker could not have occurred without exerting its influence upon the work of the MfS.

[MfS Officer] Naturally, this had an effect on the ministry, particularly after a specific point in time: This was most likely the fateful mistake involving the decision that Mielke would first become a candidate member and later a full member of the Politburo (1976—the editors). Since that time, he believed that he was truly Godlike—above all things. Mielke gave expression to this understanding through his merciless conduct vis-a-vis his close collaborators—including those who were leading employees. For me, this was a dreadful realization. Prior to that time, I had assumed that work at the top of the ministry was characterized by a collegial and friendly approach; after all, the impression that a collegial leadership was present was being evoked when it was reported that the collegium of the MfS had met. As an outsider, it is almost impossible to understand the party language and to reconstruct the rituals which were customary and the new measures which were laid down.

It was normal for Mielke to even depict his deputies as being blockheads. Illnesses were openly announced in the MfS. I recall his first deputy for many years, Bruno Beater, who, at the rank of colonel general, was actually a specialized minister, comparable in position to a state



secretary in a ministry in the FRG. In my opinion, Beater was an industrious, decent person. Mielke seriously humiliated him. Intimate details of his medical history were released to the assembled team: "Oh, well, you know Bruno with his kidneys" and "If I (Mielke—the editors) were not here and did all the work myself." Similar fates befell most of the other deputies over time.

[DIE WELT] Why this coarse conduct at the very top?

[MfS Officer] The tone used by Mielke, his treatment of his closest collaborators as blockheads, and his repeated efforts to show them that he was the one who placed them in their jobs was intended to always demonstrate that one was dependent upon him. And the repeated hints were aimed at demonstrating that one could always be removed from one's position also. Mielke played these games in an exemplary manner repeatedly. From time to time, one could set one's watch by the fact that someone would be removed from the level of main department leaders under some kind of pretext for publicity effect. The tragic part of this was that there were only a few who decided to draw the line and to state: so far and no further—in view of their own bitter experiences and feelings, which they had to swallow.

Instead, this way of dealing with people was, for the most part, passed on down the line under the slogan: "Tit for tat." Fear and opportunism probably also played a role. Mielke was certainly to blame for certain basic developments regarding this Ministry. Let me cite an example from another area: The MfS was of such magnitude as could be appropriately described with the concept of a bleeding wound in the economic organism of the GDR. Consider, if you will, the multiplicity of buildings and all the perfect equipment at the disposal of the security apparatus, for example. At the beginning of the 1980's, there was an order by Mielke containing the guideline that the MfS should not be permitted to expand and that it should be successively changed however, the opposite took place over the next few years because most of the service units more than doubled. This occurred at the price of conditions, such as particularism in Germany: fiefdoms arose in the MfS. In principle, several service units either duplicated the efforts of others or triplicated them and hampered each other or—and this was the other tragic development—no one handled certain affairs which would have been actually important.

At every international work consultation, we had difficulties with our partners explaining to them our pompous way of behaving. When we traveled anywhere, things were quite modest there. However, when collaborators of friendly services visited us, they found expansive guest houses, luxury automobiles, and pompous gifts. Everything was available, nothing was lacking. Many a visitor asked us how we could manage all of this? Most recently, I was asked by colleagues from abroad: "Did we or did you actually lose the war?"

### Always Keeping the Interests of the Soviets in Mind

[DIE WELT] How do you judge the fundamental attitude of Mielke?

[MfS Officer] Before he was a loyal servant to Ulbricht and Honecker, I believe that we was primarily a follower of the Soviet Union; he personally always spoke of being an internationalist. As the members of the Politburo flew to Moscow at a given point in time in order to settle any differences with the Soviet leadership, Mielke also participated, protecting the interests of the Soviets. He knew ahead of time what role he was to play. It was the entirely clear situation in which the evil class enemy was revealed and Honecker was warned that he would break his neck if he opted for certain internal political decisions. Honecker then gave in a little. Thus, Mielke was loyal to Honecker on one side—although this sounds almost like a contradiction—but on the other side did what the Soviets wanted.

It was precisely at the time that the first assaults on glasnost and perestroika were begun in East Berlin and the special characteristics of the GDR were pointedly stressed that Mielke played his double game: On the one hand, he did not oppose the SED leadership; on the other hand, he fed the Soviets information about the actual situation in the land. It was also he who occasionally ventured an opinion in conversations that he did not know whether it was sensible or even tenable to permanently oppose our friends in this way. I also know through my connections with Karlshorst (KGB residence in East Berlin—the editors) that Mielke delivered particular information there.

[DIE WELT] On what did Mielke provide information?

[MfS Officer] For example, he passed on reports on the actual condition of the GDR economy. Perhaps one point of view was the possible avoidance of Soviet demands in the event they had any illusions about the actual economic situation in the GDR. However, what was decisive was that Mielke wanted to repeatedly prove his absolute solidarity with regard to the Soviet Union. One of his most important statements was repeatedly the following: Before we are employees of the Ministry for State Security, we are Chekists [precursor of KGB] of the glorious Soviet Union.

[DIE WELT] There was information indicating that Mielke might have been bugged. Do you consider this feasible?

[MfS Officer] Despite all bravery which one or another leading collaborator in the MfS had, no one would have had the courage to undertake anything against party officials or even superiors. You must also consider that Mielke enjoyed great authority and that for this reason no one would have dared do such a thing.

[DIE WELT] What impression did the chief of the MfS make upon you with respect to his health?



[MfS Officer] Mielke only showed up when he was well. He was one of those who carried four boxes of pills in his clothes. In simple terms, these pills were red, yellow, blue, and green. He took the first in the morning—to exaggerate—to come awake, and at noon he took the second so that he could take a nap at noontime.

Overall, one could only envy him for his constitution. I only wish to cite one example: When one speaks for several hours as a referent in a room in which several hundred people are gathered and the windows are closed, one notices the shortage of fresh air at the latest after the third hour. I noted in the hall that we became tired during a lecture by Mielke. In his case, that was not true; he was able to speak for hours.

But there were also some weeks in which he stayed away from any official business. These were likely also times which were used to publicly conceal any illness. In this respect, he adopted a double strategy; he told the MfS leadership that he had to take care of important party matters and he told the SED that he wished not to be disturbed in view of significant official business. He, thus, created some free time for himself.

#### **"We Are the People"—In the End, This Was Also the Slogan Within the MfS**

The slogan that "We are the people" also came into use in the Ministry for State Security (MfS) quite late. Sometime after the beginning of the peaceful revolution, it was also understood in the MfS that the old guard could no longer be retained at the head. Several thousand collaborators—as reliable sources report—assembled in the courtyard of the headquarters building to make it clear that, in their eyes, Mielke was not the only responsible person. Appropriate testimony was also published in the form of appeals, following the example of Chinese wall newspapers in all service areas.

The Modrow government reacted rapidly to the protest proclamations. A few days following the demand that the MfS collegium be dismissed, almost all members were relieved of their offices.

Unusual tones were already heard following the overthrow of Honecker in the middle of October. The then acting minister, Lieutenant General Mittag, "was booed after two or three sentences and sat down like a school-boy," stated an insider who reported on such emotional catcalls as "You have betrayed us, you have betrayed the republic." The then Politburo member Herger allegedly attempted to calm the employees by stating: "You will not be the fall guys." However, Herger said that the core question was whether the unity of the party could be maintained at all and, in this regard, the MfS was currently a ball and chain around the feet of the leadership.

Although he was no longer formally in office, Mielke attempted one more time to turn the page for the SED after the beginning of the peaceful revolution. Although he was "actually no longer entitled to command," he was

instrumental in seeing to it that many MfS employees were to attend the SED proclamation in the Berlin Lustgarten. However, toward 1500 hours, the affair was canceled. As reported, the higher-ups signaled Mielke to the effect that he could expect no support for such an action. From that time onward, Mielke no longer showed up at Normannenstrasse; a letter to all employees in which he begged for forgiveness was the last action of the once omnipotent minister for state security.

#### **[Box, p. 6]**

A former high-ranking officer in the Ministry for State Security (MfS) made the following statement regarding his perceptions and evaluations with respect to Honecker:

"None of us would board a bus if we saw that the bus was over the hill, the driver was completely drunk or mentally ill, and, nevertheless, is taking us on a steeply inclined road in the mountains, particularly if he rips out the brakes and everything else before the trip and then compels us to sing the following song, together with our children: 'You are the greatest driver of all time in the world.' This would be totally unthinkable given normal human intelligence. But it is precisely what we permitted to happen, metaphorically, all the time. We knew precisely which way the tumbril was headed."

#### **[Box, p. 6]**

In a speech in June of last year, Mielke demanded that the SPD-AL [Social Democratic Party-Alternate List] Senate in Berlin be supported "in the interest of things."

"Thus, for example, it can be seen from the publications regarding the conversations with Momper that some determinations were made which confront us as members of the MfS with very complicated tasks from which significant security-political problems arise. In the interest of things, in order to support the SPD-AL Senate, this concession was politically unavoidable. Compromises and concessions which are made in the interest of peace are necessary, but also frequently very expensive with not insignificant consequences for us."

#### **Photo Caption**

With a carrot and a stick, the chief of state and party chief met his security minister. Decorations such as the honorary title "Hero of the GDR," awarded to Mielke in 1975, alternated with Honecker's threats that one could also appoint a younger man to head the MfS. Honecker reacted increasingly with indignation primarily in the face of uncomfortable information; Mielke, worried about his job, in the end relied increasingly on unrealistic reports and depictions, so as to avoid angering Honecker as much as possible.

## POLAND

**Status, Removal of Soviet Troops From Poland Viewed**

90EP0609A Warsaw *PERSPEKTYWY* in Polish No 21, 25 May 90 p 7

[Interview with Gen. Div. Mieczyslaw Debicki by Zygmunt Rola; place and date not given: "The Russians Are Going Home"—first paragraph is *PERSPEKTYWY* introduction]

[Text] For a year, he has been the Polish government's plenipotentiary on matters related to the stationing of Soviet troops in our country. Gen. Div. Mieczyslaw Debicki accompanied the president of the Republic, Wojciech Jaruzelski, as an advisor on his recent official visit to the Soviet Union. We talked about the status of the troops in Poland and the timetable for their withdrawal, which is of vital interest to our society.

[Rola] The past year is a great page in the most recent history of Poland. However, one gets the impression that now, when all around literally everything is changing, the status of the Soviet troops in Poland remains the same.

[Debicki] And yet, in the past year, a lot has also changed in this area, particularly since September. We have undertaken work on new legal regulations, which were preceded by an estimate of income and financial outlays and losses born by the state budget. Deputy Premier Leszek Balcerowicz appointed a special team whose work is directed by Minister Dlugosz of the Central Planning Administration. Parallel talks were conducted with our Soviet partners on economic topics under the direction of Marcin Swiecicki, the minister of foreign economic cooperation. The goal of these talks was to introduce immediate changes in the principles of payment for supplies of food products and industrial goods.

[Rola] Is that because until now Soviet units stationed in Poland availed themselves of the same rights as the Polish Army?

[Debicki] Yes, that is precisely why the head of the General Staff of the Polish Army issued a special order to regulate, for example, matters connected with the flights of Soviet planes in Polish air space. In Brzeg, the prohibition of night flights between the hours of 10 pm and 6 am was introduced. The runway of the airfield there is located at a distance of 1.5 km from the center of town. Previously, when piston airplanes were used, there was not a major problem. But heavy jet airplanes of the MiG-25 type have to engage so-called forage on takeoff, which emits a noise beyond all admissible norms. Society and the local authorities therefore demanded the elimination of flights of these machines at night, and so they were prohibited.

[Rola] You were speaking of the introduction of new principles of financial accounting, preceded by the estimated designation of our losses up until now .....

[Debicki] In relation to the Soviet troops, the principle of their taking advantage of the same privileges and price reductions as the Polish Army has been applied up until now. To put it simply: they did not make rental payments for the use of firing ranges, for example. It has been calculated that if these areas were used for agriculture and in our forest economy, then, taking into consideration that from a hectare of woodlands three cubic meters of wood grow annually, the state treasury could have profited by around nine billion to ten billion zlotys since 1945. Arguments of this type formed the "substructure" of our demands, which we submitted to the Soviet side.

[Rola] Individual Polish citizens also bear tangible losses.

[Debicki] That is why we are looking at their complaints and arranging a settlement. As is generally known, when an airplane moves from subsonic speed to supersonic, a strong shock wave arises. Just such an "explosion" once destroyed the rafter framing of a building. The owner actually estimated the financial losses, but there was no one to pay him damages. We settled this matter as a result of our meetings with representatives of the Soviet garrisons. Recently, we accepted from them a number of apartments that were empty. Last year, we gained about 250 apartments, and already more than 100 this year.

[Rola] The propositions of the new legal regulations were rejected in March at a session of the National Defense Committee. What is the direction of those changes in the principles of stationing Soviet troops in Poland?

[Debicki] It has been decided that a new international understanding will be worked out. It would abolish the principle of Soviet troops using the privileges and reduced prices used by the Polish Army, which is at home. There is no reason for the Soviet troops—who are our allies to be sure, but still foreign—to get the same price reductions. The plan of the new understanding adapts accounting principles to the requirements of the market economy being introduced in our country.

[Rola] And in concrete terms?

[Debicki] It is a matter of full payment for the use of the land according to the rules in force in Poland. Likewise for the natural environment. Penalties for polluting are being introduced. Also being introduced are full rental payment for buildings and installations and charges to renters for the costs of exploitation. So far we have been paid 50 percent of the rental payment with the other half allotted for refurbishing. The issues related to the transfer to us of buildings built by Soviet troops with their own materials will be regulated, as will the new principles of accounting for supplies of food products and industrial goods. Thus, equality is being introduced among legal entities in obliged relations according to

Polish regulations. We will also propose the renegotiation of the agreement on Soviet troop communications and movements within Polish territory in connection with exercises and with troop transit.

[Rola] Let's repeat: for the time being, these are proposals . . .

[Debicki] But they have already been approved by Deputy Premier Balcerowicz. After consultations in the Polish MSZ [Ministry of Foreign Affairs], we will present them to the Soviet side for negotiations.

[Rola] When can the conclusion of the talks be expected?

[Debicki] Before the end of the year—yes, so that new principles will begin to function after 1 January 1991.

[Rola] Members of the government and experts, who also have authority in the sphere of affairs about which we are speaking here, accompanied the president of the Republic of Poland [RP] during his April visit to the USSR. Therefore it is certain that talks with the Soviet side took place....

[Debicki] Yes, we drew attention to this problem during the talks between a portion of the Polish delegation (the deputy minister of national defense, Janusz Onyszkiewicz; the deputy chief of the General Staff, Gen. Div. Franciszek Puchala, and the plenipotentiary of the government of the RP on the affairs of the stay of Soviet troops in Poland) and the USSR's minister of national defense, General Yazov, and his deputies.

[Rola] Was the withdrawal of the next Soviet units from Poland discussed as well?

[Debicki] Yes, after the acceptance of our propositions by the National Defense Committee, we were able to present concrete proposals. On this year's timetable of Soviet troop withdrawals is found an airborne assault brigade from Bialogard as well as air units from Brzeg. Next year we would like to withdraw a Soviet unit from Szprotawa; and in the next few years, a few other units. At the above-mentioned session of the National Defense Committee the following regulation was approved: "Against the background of an as yet uncrystallized, new European security system, the withdrawal of Soviet troops should be correlated with the development of the international situation, and particularly with the undertakings associated with the German unification processes. These actions should also be in agreement with the regulations accepted as a result of the Vienna talks." This has to do with leaving 195,000 troops on each side, that is, NATO and the Warsaw Pact.

[Rola] Does the position taken by Lech Walesa on the withdrawal of Soviet troops from Poland have any influence on the course of the talks regarding this matter which are being conducted in our country and in Moscow?

[Debicki] I am the plenipotentiary of the government of the Polish Republic and thus an administrative person,

not a political one. My task is to represent and defend the government's position. In our interview, I am also representing the position of Premier Tadeusz Mazowiecki.

[Rola] Which of the problems connected to the stationing of Soviet troops in Poland are, in your opinion, the most difficult?

[Debicki] I would include among them the observance of the principles of coexistence and the observance of legal regulations. Because the most conflicts arise at points of contact. Break-ins, beatings, thefts occur. For example, last year there were 130 automobile accidents, and eight persons—seven Poles and one Russian—died in them. The new commander of the Soviet forces in Poland, General Viktor Dubinin, is a modern-thinking person who understands the changes taking place in Poland and knows how to match them with the changes taking place in the USSR. Thanks to this, it is easier and easier for us to settle even the most difficult issues.

[Rola] You mentioned consultations with representatives of the Soviet garrisons....

[Debicki] Ten such meetings have taken place. Thanks to them, the two sides have entered into direct cooperation. Representatives of the residents—deputies, councilmen, members of the local Solidarity organizations, and social groups—have taken part in them. Of course, various complaints were examined and settled in the process. Mutual claims were also explained.

[Rola] However, you continue to get letters such as this one from Szprotawa: "Regarding the Soviet Army units, a petition with the signatures of approximately 5,000 people was sent to the Sejm.... We ask the plenipotentiary for energetic action in order to respect the demands of the residents of Szprotawa and surrounding localities. The only way to solve the remaining, contentious issues between society and the Soviet Army units is their departure from our area and indeed from within Polish borders. Poland will be free when there are no foreign troops on our land."

[Debicki] But I also get letters like this one from Antoni Florek and Maria Kunsztowicz of Dynowice: "We pay our sincere thanks for bringing our issue to an end. The PZU [State Insurance Bureau] in Jelenia Gora paid us for damages. We had already lost faith that the wrongs done us would be settled. We now know that the simple person can count on the Polish Army."

[Rola] Thank you for the interview.

#### **Military Academy, Interior Ministry Reforms Noted**

90EP0614A Warsaw ZOLNIERZ

RZECZYPOSPOLITEJ in Polish 22 May 90 p 7

[PAP Article: "Decisions on Reform of Army Training"]

[Excerpt] [passage omitted] The Council of Ministers approved a resolution on the procedure and conditions

of qualifying former functionaries of the Security Service to serve in the Office of State Protection and in other organizational units subordinate to the internal affairs ministry.

The Central Qualifications Commission, the Qualifications Commission on Central Cadre Affairs, and voivodship qualifications commissions will be called upon to conduct the qualification process with respect to candidates.

Members of the Central Qualifications Commission were appointed by the chairman of the Council of Ministers from among the representatives of the Political Advisory Committee in the Ministry of Internal Affairs; the minister-chief of the URM [Office of the Council of Ministers]; the minister of internal affairs; the head of the Office of State Protection; the main commandant of the police and of the Trade Union of Police Functionaries; and also from among other persons of universally acknowledged moral and social authority.

The members of the Commission on Central Cadre Affairs as well as the voivodship qualifications commissions, which are appointed by the chairman of the central commission (who is to be the head of the Office of State Protection) will also be made up of a similar professional and social representation. In conducting the qualifications process, the participation of authorized representatives of the parliament is also anticipated.

The Voivodship Qualifications Commission or the Commission on Central Cadre Affairs will be able to issue a positive opinion on the candidate, if he has the appropriate service qualifications and moral qualifications. The latter is to be confirmed by looking at whether in the course of his previous service he committed any violations of the law, whether he performed the duties of his service without violating the law or the dignity of

other persons, and whether he refrained from exploiting his official position for unofficial purposes.

The Council of Ministers has approved a decree by virtue of which the Academy of National Defense and the Higher Officers' School of Army Engineering will be created and the Military Political Academy will be dissolved. This will be the first stage of reform in military training within the framework of the armed forces restructuring program.

The Academy of National Defense will be created by transforming the General K. Swierczewski General Staff Academy of the WP [Polish Army]. The General Jakub Jasinski Higher Officers' School of Army Engineering, however, will be created by unifying the old Higher Engineer Officers School, which was named for this same person, and the Stanislaw Ziai Higher Chemical Warfare Officers School.

Aside from improving the quality of education at the academic and higher school command level, these changes contribute to the rationalization of the scientific and research activities conducted by these schools. They also yield measurable savings in the budget of the MON [Ministry of National Defense] due to the reduction of the number of jobs, the abbreviation of the period of academic training, the more rational management of equipment, and the abandonment of some of the installations used for military training.

In compliance with its earlier regulations concerning the arrangement of leisure activities for children and youth, the Council of Ministers made the decision to allot 50 billion zlotys from the state budget to finance operations this summer.

The Council of Ministers allotted portions of the resources dedicated in the budgetary bill to structural changes in the economy.



## GERMAN DEMOCRATIC REPUBLIC

### Minister Interviewed on Housing Problems in View of Unification

90GE0157A East Berlin BERLINER ZEITUNG  
in German 28 May 90 p 3

[Interview with Dr. Axel Viehweger, minister of construction, urban planning, and housing, by Hans Erdmann; place and date not given: "No Return of Expropriated Property"—first paragraph is BERLINER ZEITUNG introduction]

[Text] The construction industry in the GDR has encountered difficulties, especially in the housing sector, which was once the pride and joy of the old SED's [Socialist Unity Party of Germany] united social and economic policy. Compared to last year's April figures, this year's figures fall short of 8,251 new dwellings and 24,239 renovated dwellings. Tension in the housing sector is on the increase. There is talk about higher rents and about how the citizens of the GDR will fare after the adoption of the largely unknown building codes and tenant laws of the FRG. Questions about property ownership and other related matters abound. Dr. Axel Viehweger, minister of construction, urban planning, and housing answers questions put to him by BERLINER ZEITUNG.

[Erdmann] The tenants' association of the GDR has expressed concern over adopting West German laws. What is your opinion on this subject?

[Viehweger] I sympathize with such concerns and worries, but I also must keep an eye on facts. First: The GDR has not solved its housing problem and has not provided an acceptable housing standard despite a full-fledged housing construction program, despite compulsory housing management, despite the constitutional right to housing, and despite tough laws to protect tenants from unfair housing practices. True, we don't have anybody who is homeless but we do have 800,000 families and individuals with housing problems. Every third case could be described as an emergency. Second: The GDR has constructed expansive new suburban housing areas, while houses in the inner cities go completely unattended and often times are not fit to be rented. The FRG on the other hand, has managed over the past decades to provide a housing standard that is consistently high.

[Erdmann] What are the reasons behind this success?

[Viehweger] There are several. First: The rigorous application of market-based principles kept the private housing sector increasingly interested in upkeep, expansion, and improvement of housing. Municipalities have greatly benefited from this interest. Second: As a state built around laws, the FRG has tenant laws that prevent outrageously high rents, give far-reaching tenant protection against eviction, and provide rent subsidies for low income people who otherwise would end up on the

fringes of society. Third: Federal funds support the building of public housing in the individual municipalities and states.

[Erdmann] Even so, tenants in the GDR are afraid that the adoption of West German law will bring social hardship, housing speculation, and rent usury.

[Viehweger] Let me put things in perspective. At present, the FRG lacks one million dwellings, the GDR about 800,000. The FRG has 61.5 inhabitants, the GDR 16.5. The FRG has more than 27.5 households, the GDR 6.5. These are quite different relations. And with regard to West German laws covering land lord/tenant relationships, I would say, that we first need to know what they are before we can judge them.

[Erdmann] Perhaps you can enlighten us with a few examples.

[Viehweger] Gladly, but first I would like to mention that tenant laws spark controversy in the FRG as well. Landlords and tenants simply don't share the same perspective. The GDR has to keep this observation in mind when it deals with the problem of future home ownership and the quality of housing presently available, because although the GDR wants to attract hefty investments to the housing sector, it also wants to ensure tenant protection.

Tenant laws in the FRG have provisions that prevent tenant exploitation. It is considered usury if a landlord uses a prospective tenant's desperate situation, his inexperience, lack of judgement, or pliability to extort rent that is considered inappropriate. Rent levels are based on the local housing market. Specific rent levels are set jointly by the municipality, the tenants' association, and the landlords' association. In cases where the rent is inordinately high, but usury cannot be proven, the landlord can be fined up to DM50,000.

[Erdmann] What you have said applies to new rental agreements, but what about situations where rents are raised within ongoing contracts?

[Viehweger] This eventuality is covered by law as well. Increases in rent are possible, but tenants can count on considerable legal protection. Landlords are forbidden, for example, to terminate contracts for the sole purpose of extorting higher rent. By the way, tenants who live in public housing are covered by special legislation. Laws also ensure that rents can be raised only to a given level within a certain amount of time. A lively debate is currently going on in the FRG over scaling down the level of such rent ceiling provisions. In general, once the prescribed ceiling has been reached, landlords can forget about raising the rent for quite some time.

[Erdmann] How about termination of rental agreements?

[Viehweger] West German law presents considerable hurdles for landlords. Termination of a rental agreement has to be submitted in writing and it is only legal if the



tenant has grossly violated his contractual duties, if the owner can convincingly prove that he needs the property for his own use, or if the tenant prevents the landlord from utilizing his property to an adequate extent. This is not a license to engage in rent speculation though, because the law forbids termination of rental agreements on the basis that somebody else is willing to pay more. Even if a landlord can prove that he needs the place for himself, tenants are protected by law if they can show that by losing their housing, they would have to face undue hardship.

[Erdmann] A few weeks ago you presented a three-tiered plan for rent increases, even though the state treaty is supposed to maintain rent restrictions. Can you explain this discrepancy?

[Viehweger] The present income situation in the GDR makes rent restrictions mandatory. Hasty steps towards raising rents would endanger stable levels in real income—something citizens expect from a monetary union with the FRG. But as income levels change, it will become necessary to adjust rents gradually to the demands of the housing market, but we must not sacrifice social security for low income citizens.

[Erdmann] How is your three-tiered plan supposed to work?

[Viehweger] The first tier takes into consideration costs that are connected with building maintenance, housing management, and housing administration. The second- and third-tier rent increases will include such factors as amortization, investment return levels, real estate values, and property location. This means that during the first phase the flat rent—rent excluding utilities—will double. Still, the quality of housing will remain a consideration in setting rents. Whoever cannot pay the higher rent, provided the dwelling is not out of proportion to the tenant's needs, will receive rent subsidies.

[Erdmann] When will such steps be enacted?

[Viehweger] Rent restrictions will remain in effect. No changes are expected to take place before 1 January 1991. Also, keep in mind that my plan has not yet become government policy. No coordinating talks with the minister of finance or the cabinet have been held. Our first priority is to push for rent subsidy legislation to ensure social security. Next, we will need to agree on rent increases. We also will want to arrange with local municipalities that all tenant agreements are rewritten in the appropriate terms and that rent subsidies are ready to be paid out. All this takes time and must not be rushed.

[Erdmann] Some of today's most discussed topics in the GDR are questions of real estate ownership. What do you have to say on this topic?

[Viehweger] Real estate that has been expropriated will not be returned to its original owners. We have to respect the status quo, but when warranted we need to offer compensation to former owners. I am looking mostly for

a political solution because a legal solution would involve decades of litigation. Concerning the creation of private property in the housing sector, I recommend that citizens of the GDR receive a one year option to buy real estate along with the extension of credit. Thereafter, real estate should be turned over to the municipalities and they should then decide how much of the former state-owned real estate they want to make available to housing project cooperatives, housing development associations, and private individuals.

[Erdmann] We have arrived at the crucial word "business corporation." Does that mean that the municipal housing administration (KWV) has outlived its usefulness?

[Viehweger] I really don't think so. Of course, there will be structural and formal changes, but the housing management sector is not shrinking. What we can expect is that tenants will demand higher quality work, because they will be paying higher rents and will thus expect a more solid work performance.

[Erdmann] We need increased and more qualified construction work if we want to renovate our dilapidated houses—old and new alike. Where should we look for the necessary funds?

[Viehweger] Experts in the construction industry have predicted that in the housing sector alone we will need about 450 billion marks. That is about twice what we have available. So what can we do? First, we are restructuring our large construction combinats to increase efficiency. This takes the form of transforming the combinats into business corporations. Second, we have to increase construction capacity by quickly replacing broken machinery and equipment and by modernizing the entire construction technology. Third, we have to assist all those who want to become self-employed in the construction sector. Fourth, we must ensure continued demand. The GDR needs a housing and construction market that strongly attracts private investors at home and abroad.

### **Joint Ecological Cleanup Provides Business Opportunities**

90GE0150A Duesseldorf *HANDELSBLATT* in German  
21 May 90 p 6

[Article by bos: "Market Economy and Western Know-How To Bring About Environmental Commitment—New and Existing Firms Prepare To Enter Promising Market; Opportunities in Recycling, Landscaping, and More"]

[Text] Leipzig—Several GDR business sectors worry about the future. Not so the until now badly neglected environment-related industry; quite the contrary, it looks forward to the future. New laws, market research, and cooperation between the two German states are expected to increase productivity, to secure jobs, and to improve ecological conditions for the entire population.

An example for the creativity of medium-size business enterprises is the establishment of an environment-related joint-German engineering firm consisting of shareholders and workers from Leipzig and Hanau. Construction engineer Kolbmueller from Leipzig is contributing his knowledge of local market conditions and his business connections, while Hanau contributes the engineering firm Hetterich with its know-how and necessary seed money.

The establishment of this kind of medium-size business comes at a time when the state-owned construction engineering business in Leipzig is in a process of disintegration. By the time the monetary union goes into effect, the enterprise will already consist of two parts. The construction sector is being turned into a GmbH [company with limited liability], and the planning sector is slowly being integrated into the joint cooperative enterprise Ingenieur Consult Leipzig.

Finally, municipalities in the ecological crisis region Leipzig-Halle-Bitterfeld are in a position to choose from a catalog of engineering services ranging from waste management, to reclaiming old garbage dumps, to environment-oriented construction techniques that even include landscaping.

This ecological effect is complemented by an economic effect. The initiative to establish an engineering company creates work for about 70 people in the East and the West. Before long, other medium-size environment-oriented enterprises will crop up in the GDR.

The Leipzig Institute for Energy Production is also ready for new departures. Starting in July, it will work as a GmbH embedded in the GDR regional power network North. Jochen Paul, a leading scientist in the Institute explained to HANDELSBLATT that this reorganization means the end of command economy structures in the energy sector.

There was a time when the Institute had been legally affiliated with the Lubmin nuclear power plant because Herr Mittag who was then an SED [Socialist Unity Party of Germany] economic planner had had a brainstorm on this. He thought this was the perfect arrangement to realize the SED's slogan of "creating a union between science and production." "Have you ever tried cooperating closely with somebody 500 kilometers away when you don't have the proper means of communication?" asked Jochen Paul. We had to wait until now before our approximately 400 scientists could even start to work efficiently, he says and adds, that we are not afraid of a market economy, but that we will have to pare down our 150 administrative posts.

#### **Cooperation Agreement Concluded**

In addition, the Leipzig Institute has decided to cooperate with West Germany. Its partner is the Langenhagener enterprise Noell Environmental Service GmbH. Together they want to produce clean energy for third markets. They are planning to engineer the conversion of

Soviet nuclear power plants to fulfill environmental demands. When it comes to the GDR, the two partners want to offer their know-how to the chemical plant Espenheim/Boehlen to improve water purification. We should have many more requests by now, says Jochen Paul, and he complains that "despite the municipal elections held on 6 May, the bureaucratic apparatus is as cumbersome as ever."

The state-owned Kombinat Ilka produces ventilation and refrigeration systems in Dresden. It dominated the production of dust precipitation equipment in the GDR and it will also assume the status of a GmbH, come July. Guenther Kobelt, a leading environmental technician in the GDR, told HANDELSBLATT that he thinks the restructured enterprise will do very well because it concentrates exclusively on engineering services. The environmental crisis in the GDR is mostly caused because the production sector doesn't produce enough technological equipment, he says. "How can you install effective dust filtering systems, if dust filters that can tolerate up to 150 centigrades are in short supply," he asks. Kobelt thinks it won't be easy to maintain everybody's job in this area, but he sees little trouble in the engineering planning sector. Ilka Kombinat is currently undergoing dissolution, but once it is reorganized into a GmbH and once monetary union has gone into effect, Ilka can rely on good business, especially from the Soviet Union and Cuba.

However, even Ilka's production sector is trying to survive. The still state-owned, but independently operating enterprise Wurzen Filter Technology has a cooperation agreement with the West Berlin enterprise Deibag-Luftfilter GmbH. They share the objective of "quickly providing the population of the GDR with better air quality by using effective equipment and installation, especially in areas of high industrial density."

While searching for new markets, it occurred to the machine and mill construction company Wittenberg to jump aboard the environmental bandwagon as well. Several years ago, the firm tried to market technology, designed to filter milling dust, to other industrial sectors. Tests conducted at the Institute for Air and Refrigeration Technology in Dresden showed that the filtering equipment was equally suited to filter sand, glass and asbestos dust. But Herr Mittag vetoed the deal and forced the company in Wittenberg to produce more unprofitable household appliances.

#### **Photo Caption**

Environmental protection was severely neglected in the GDR. In the meantime many enterprises, especially medium-sized enterprises, have specialized in garbage management, disposal and reclamation of old garbage dumps, and in producing technology for protecting the environment—endeavors that also create jobs.

## HUNGARY

**World Bank Financing: 7-Year Summary**

90CH0177A Budapest FIGYELO in Hungarian  
10 May 90 p 15

[Article by Istvan Garamvolgyi: "World Bank Financing: Twenty Loans in Twenty Years"—first paragraph is FIGYELO introduction]

[Text] Between 1983 and 1989, Hungary signed loan agreements with the World Bank amounting to more than \$2 billion.

In the past seven years, we have signed the following number of loan agreements with the World Bank: two in 1983, two in 1984, three in 1985, four in 1986, three in 1988, and four new agreements last year.

Every one of the 20 finance programs signed before the end of last year was aimed at helping to attain certain development goals or completing certain projects. The majority of the loans have been tied to development programs undertaken in industry; four projects were designed to finance developments in agriculture, two in transportation, and one in telecommunications.

In 1983, 1984, and 1985, when it was difficult to obtain loans directly, the World Bank continued to help us obtain vital external resources through version "B" of its cofinancing program.

World Bank loans are long-term credits, usually extended for 15 years, including a three- to five-year grace period. The use of a five-year grace period was first negotiated in our 1988 loan agreements. (The amortization of our agricultural modernization, industrial sectoral adjustment, and technical development program loans, for example, commenced in 1984 and is scheduled to terminate in 2003.) The interest charged on these loans has also been favorable: It is adjusted semiannually to the actual costs and interest rates the World Bank has to pay in connection with the loans it extends. (The World Bank, whose registered assets stand at \$115 billion, takes out \$9 billion to \$11 billion in new loans annually from various international monetary and capital markets and preferred-credit customer rates.)

To sum up the World Bank financing extended to us during the 1983-89 period: The loan agreements connected with 20 different programs have provided us with 1,841.4 million in financing, plus \$137.1 million in cofinancing by the World Bank. Of the \$1,841.4 million in so-called A-type loans, 270 million were in short-term credits, not closely connected with any specific programs, and 1,571.1 million were in what could more narrowly be defined as investment loans. The short-term loans have been characteristic mostly of our industrial structural transformation and sectoral adjustment programs.

The financial implementation of the World Bank programs, the use and called-in amount of its loans varies from project to project. With the exception of the first energy rationalization program, the loans extended in connection with the programs initiated in 1983-84 are 100 percent callable. The callable ratio of the loans assumed in connection with projects commencing in 1985, 1986, 1987, 1988, and 1989 was 100 percent in the case of one program—the short-term industrial sectoral adjustment program—and ranged between seven and 89 percent for the remaining 15 programs. As of 31 December 1989, the average callable ratio of the World Bank loans connected with the 20 development programs was 62 percent. If, however, we disregard the ratio of short-term—and indeed quickly called-in—loans, only 55 percent of the loans earmarked strictly for investment purposes have been called in. The overall World Bank rate during the 1983-89 period was 72 percent.

The World Bank finance programs are the products of ongoing consultations and cooperation between the international financial institution and Hungarian experts. The processing and maturation time of a given program may be several years. The specialized spheres affected are also involved in the preparation of the programs and loan agreements. It is practically common knowledge that our domestic banking and financial institution sector has received approximately \$60 million in loans for the purpose of modernizing its clearance center and electronically upgrading some of its banks. Also under way is the finalization of a new project aimed at expanding our agricultural exports.

This year's most important World Bank news: The preparation and approval of a new, so-called structural adjustment loan of approximately \$200 million. This is not intended to be a project, but rather a financial credit to be used as is deemed necessary.

**World Bank Financing Programs**

	Date of Agreement (forints)	Amount of Loan (millions of dollars)	World Bank's Share in Cofinancing (millions of dollars)	Amount of Loan Called In (percent)
Grain Program	6 June 1983	130.4	38.8	100
First Energy Rationalization Program	6 July 1983	109.9	—	93
Export Development Program	4 April 1984	110	24	100
Hydrocarbon Program	4 April 1984	90	24.3	100
Fine Chemical Program	26 April 1985	73	20	89

World Bank Financing Programs (Continued)

	Date of Agreement (forints)	Amount of Loan (millions of dollars)	World Bank's Share in Cofinancing (millions of dollars)	Amount of Loan Called In (percent)
Integrated Animal Husbandry Program	29 April 1985	80	6	58
Transportation Program	4 June 1985	75	24	90
First Industrial Structural Transformation Program	5 June 1986	100	—	74
Power Plant Construction Program	17 June 1986	64	—	36
Second Energy Rationalization Program	17 June 1986	25	—	63
Plant Cultivation Development Program	9 July 1986	100	—	67
Second Industrial Structural Transformation Program	31 August 1987	150	—	49
Telecommunications Program	15 July 1987	70	—	39
Agricultural Industrial Program	2 June 1988	79	—	7
Industrial Sectoral Adjustment Program	1 July 1988	200	—	100
Technology Development Program	1 July 1988	50	—	15
Third Industrial Structural Transformation Program	24 February 1989	140	—	8
Hydrocarbon Development Program	30 May 1989	100	—	7
Energy Rationalization Program	30 May 1989	10	—	20
Second Transportation Program	10 July 1989	95	—	12
Total	—	1,841.4	1,371	62

**Society for Unified Europe on Economic Prospects**  
90CH0177B Budapest FIGYELO in Hungarian  
10 May 90 p 9

[Article by -ER: "Big Brother or Great Uncle?"]

[Text] In 1990, the Society for a Unified Europe has undertaken to sponsor several events with the purpose of defining the Europe of the 1990's. The first such meeting involving members of the society and various business specialists was recently held at the Budapest University of Economics. Among the speakers expressing their views on the future of Hungarian-Soviet economic relations were Tibor Rigo, deputy department head of the Council of Ministers; Dimitri Sergeievich Markov, senior member of the Socialist World System (Bogomolov) Institute; and Laszlo Fodor, vice president of the Hungarian Chamber of Economics.

The participants agreed that the relative importance of Hungarian-Soviet economic ties will gradually decline in the future, but also that a long time will have to elapse before the Soviet Union and its member republics will be considered as merely one of our many trading partners. We can, in fact we should, debate whether or not the conversion from a ruble-based to a dollar-based system should be a one-, two-, or perhaps multi-step process. In any case, the Hungarian partner must definitely keep in mind that for now the distribution of dollars in the Soviet Union will continue to be centrally controlled.

Hungarian exports will have to be balanced with adequate imports, because we will be probably paying each other in "tagged" dollars. The Soviet and Hungarian interpretations of enterprise autonomy can hardly be expected to be the same in the early 1990's...

Both the Soviet guest and his Hungarian hosts stressed that no economy, including the Hungarian economy, is capable of changing its market orientation overnight. Consequently, if we want to join the world market with competitive products, capital, and technology, it will be imperative for us to preserve, and strictly on the basis of mutual advantages, continue to develop our Soviet ties. This was further underscored by two enterprise representatives invited to speak at the conference, Matyas Jakab, director general of SZIM [Machine Tool Industry Works], and Laszlo Abraham, technical director of the Videoton Corporation, both of whom cited specific examples of their own. In SZIM's view, the solution lies in the establishment of limited liability companies and joint ventures, as only through them can we hope to attain the technological standards of the world market. One option would be to set up a joint venture in the Soviet Union with a Western firm, one which has the potential to assist in the production of a world-class finished product. (Having our background industry in the Soviet Union? An interesting notion...)

As to the question of whether or not we could afford, at this point, to withdraw from the Soviet market, the



expert from Videoton made it categorically clear: It would be impossible. But how can we stay in? The barter system is a primitive arrangement, but it can temporarily take the place of interstate agreements. It is indeed true that a dollar-based system of payments promotes more open trade relations, but in order for it to become a reality, the Hungarian side must also make the necessary adjustments to the world market prices and to that market's technical and quality parameters, the expert from Szekesfehervar stressed. Reacting to the technical solutions proposed for the interim period, Matyas Jakab briefly summed up what had been said: "We have been told here that before we can have unencumbered dollar payments we must, or we ought to set up a clearing system. This, however, I cannot imagine without establishing some kind of a licensing system, which in turn also means that if the omnipotence of the licensors is allowed to assert itself we will be back where we started. Given the option, I would prefer to stay with the ruble and the existing contingencies, for such a transition may take another 40 years...."

At the roundtable discussion on the integration prospects of East Europe, the participants—Peter Balazs, president of the Society for a Unified Europe; John Pinder, president of UEF; and Margit Racz, vice president of the Society for a Unified Europe—outlined the following options: The East European countries now have an opportunity to form an unprecedented mini-integration, held together by a collectively Western orientation and a mutual desire to recover from their respective crises. From the historical standpoint, of course, we cannot ignore the fact that the existing ties between some of the countries affected are weak, distorted, and in some cases even hostile. Unlike Peter Balazs, who saw some possibilities in such an integration, Margit Racz claimed that when it came to changing from one model to another we cannot be partners. The only way for us to climb to a higher level is by letting go of one another's hands. Weighing our chances of joining the European Community and the European Parliament—which he believes are good—the British guest stressed that one of the preconditions to such a move would be the establishment in Hungary of a market economy and a truly free electoral system. He did not recommend experimenting with local integration, for he felt that the best solution was to join an already functioning and viable alliance of common interests.

The lesson of the day-long debate could perhaps best be summed up with Peter Balazs' words: Legally CEMA is still in existence, economically it is faltering, and politically it has already fallen apart. Every one of its members is looking to the West for solutions, hence our Soviet dependence may someday give way to absorption by the West. And perhaps also to isolation from our own neighbors, even if it means trampling over them...

### Labor Market Analyzed

90CH0175A Budapest TARSADALMI SZEMLE  
in Hungarian No 5, 1990 pp 48-51

[Article by Anna Matoricz: "Labor Market Survey (1989-90)"]

[Text] It has been nearly five years since the state manpower placement offices first began to keep a record of jobless people for whom they have been unable to find suitable employment. By the end of last year, their number had risen from a mere few hundred to 15,000. In addition, the offices have been contacted by another 14,000 to 15,000 unemployed who did not wish to be registered.

It is no surprise, therefore, that today we are witnessing the rehabilitation of such concepts as the labor market and unemployment. Unfortunately, while unemployment has become a frequent focus of political struggle, little attempt has been made to clarify these concepts, or to learn about the facts and realistically analyze the processes involved.

### Supply and Demand on the Labor Market

As we know, the number of active wage earners in Hungary is estimated at around 4,800,000, which in terms of our total working-age population represents an 83-percent activity rate. This figure is quite high even in international comparison. One of the important characteristics of a labor market is its degree of manpower mobility: According to annual manpower turnover statistics, one in four employees is a new hire or departure; 17-18 percent of the work force change jobs each year, and another four to five percent are replaced for demographic reasons. Only six to seven percent of those leaving a job turn to employment agencies for help; the great majority of them are able to find jobs or change workplaces on their own, through other channels (advertisements, applications, personal contacts, etc.). Only people who have been unable to take advantage of these kinds of opportunities have been coming to the employment offices for assistance. Hence it is at the employment offices where most of the tensions resulting from professional, regional, and other structural discrepancies of the supply and demand of labor tend to surface.

According to the internationally accepted definition of the concept, an unemployed individual is one who is currently out of work, is looking for employment, and is ready to accept a job. From the nationwide data collected by our state placement agencies we have been able to extract information about people who have turned to these agencies for help and personal assistance in finding a job. Presently the total number of unemployed, including those registered with a state employment agency as well as people not currently registered—who have received some kind of service—is about 30,000. According to expert estimates, the number of unemployed who choose not to register with a state employment office is close to 20,000 on any given day, hence

Hungary's current unemployment rate, going by the above definition, is around one percent. Looking only at the registered unemployed, that figure is less than 0.5 percent.

If we look at the last quarter of the previous year, we find that the availability of 60,000 job opportunities—kept on record by the employment agencies on the basis of employer supplied information—which for a long time had characterized the labor market, has dropped to 46,000. During the same period, the number of unemployed job seekers rose to 28,500, twice the number registered a year earlier; moreover, half of these people continued to be registered as unemployed even on the last day of the quarter.

The tendency of declining demand has been continuing for several years. Initially the drop in the number of job opportunities reported to the employment offices had only meant a narrower selection of employment choices for skilled and white-collar workers, and only in certain smaller districts were there any instances where the pool of unskilled laborers exceeded the number of jobs available to offer them.

Since the number of reported job vacancies continued to decline last year, while the number of unemployed, especially unskilled workers, continued to rise, presently both in overall terms and also in specific areas, the supply of labor is becoming increasingly less compatible with the demand.

The possibilities of finding employment vary from region to region, and the effects of declining demand are felt most acutely by those without skills. For some time now, the number of job seekers in Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties has exceeded the number of vacant positions reported; in accordance with the global figures of supply and demand, at the end of last year they were joined by another four counties (Bekes, Hajdu-Bihar, Somogy, and Tolna). In Baranya, Győr-Sopron, Heves, Nógrád, Jász-Nagykun-Szolnok, Vas, Veszprém, and Zala counties—particularly in the county seats and some of the larger towns—the situation of white-collar and unskilled workers may be described as critical.

The growing discrepancy between labor demand and supply as observed at the employment offices applies not only to the country as a whole or to larger regions, but also to certain specific categories of employees. On the national average today there are only 1.6 times as many employment opportunities available as there are people looking for a job; this includes three vacancies for every skilled worker (at the beginning of the year, the number was nine), and 2.7 jobs for each semiskilled worker (compared with five earlier) looking for employment. Today there are already twice as many white-collar and unskilled workers looking for work as there are jobs to offer them. (In the first quarter, a white-collar worker still had four job opportunities.)

One characteristic of the discrepancy in the makeup of supply and demand is that while only every ninth or tenth job opportunity is offered to unskilled laborers, one job seeker in three is only qualified to perform unskilled labor. Half of our enterprises' labor needs are made up of demand for skilled workers, while only one in four job seekers has the necessary skill qualifications.

Among the registered unemployed, compared with the same period last year, the number of semiskilled and unskilled workers has grown by more than one-and-a-half-fold, while the number of skilled and white-collar workers has tripled. Those without a job today also include some new strata: The number of former managers and directors among the unemployed has increased fivefold. As a result of these changes, only 55 percent of the unemployed seeking work through employment offices are semiskilled or unskilled workers; earlier this ratio was over 70 percent.

In the fourth quarter, the number of workers wishing to enter the work force for the first time with the help of an employment office was five percent, while the number of homemakers represented one percent of the total. Their numbers, however, are growing, and their skill levels are also higher than they were in the past.

#### **Living on Unemployment Benefits**

The state employment policy has various means at its disposal to support the unemployed. Without a doubt, the most important of these has been the decision by the state to guarantee the subsistence of some of those unemployed by paying them unemployment benefits.

Unemployment compensation was first introduced after considerable hesitation and virtually in the last minute on 1 January 1989. In just one year, 12,064 persons received such benefits, and on 31 December, the final count of recipients was 7,874. By the end of January, their number rose to 9,706; 445 persons were determined to be ineligible to receive benefits for refusal to cooperate as specified in the regulations, i.e., for turning down an offer of employment—or retraining—without a valid reason. According to our data it is not true that the recipients of unemployment benefits are mostly unskilled and displaced people; one-quarter of them are white-collar workers. Their ratio among active earners is only one-third, which also implies that the ratio of blue-collar unemployed is also only somewhat higher than their percentage of active earners.

Last year, beneficiaries spent an average of 110 days on unemployment assistance; counting 30-day months, and their gross monthly benefits averaged around 4,344 forints. Starting in the middle of January, the lower limit of the benefit has been defined by regulation which is partly the reason why the January figure rose to 4,798 forints. The average sum of a one-day benefit was 145 forints. More than half of the beneficiaries were paid benefits of under 4,000 forints, and five percent of them received sums of over 10,000 forints. Every one out of five beneficiaries has been living on benefits for over six

months, and more than 1,000 of these people for over nine months. In January and February, the number of people who had exhausted their 365-day benefit eligibility, and thus became qualified to receive unemployment allowance, was around 300; their actual number is still not known.

Half of the benefit recipients are under 35 years of age; four percent of the men and six percent of the women have only four to five years to go before retirement. Nearly one-half of the beneficiaries reside in three counties: in Szabolcs-Szatmar-Berg County 2,268, in Borsod-Abaúj-Zemplén County 1,890, and in Baranya County 1,126 persons were receiving benefits as of the end of December.

#### Continued Assistance

Last year, almost 6,300 persons were allowed to go into early retirement. In their case there was no hope of returning to the labor market.

Besides unemployment benefits and early retirement, our employment policy has also provided other active means and programs to help find employment or create jobs for some 35,000 persons. Fifteen thousand persons have been offered retraining, and, by the end of last year, nearly 5,000 had already completed training for a new career. For varying periods of time, 12,500 persons were employed on various public works projects, more than 7,000 obtained business start-up loans, and for the first time, 36 persons were enrolled in a state-financed apprentice employment program.

In the course of the year specific decisions were made regarding the employment and livelihood of altogether nearly 55,000 to 60,000 persons, while each quarter some 20,000 to 23,000 were assisted constantly by our employment offices in looking for employment (including, of course, those seasonally employed or on employment benefits.) In addition to the above programs, the Employment Fund, established to promote new employment opportunities, also contributed last year to the creation of some 7,500 new jobs.

#### Labor Market Organization

In order to receive labor market services, people in this country need to apply through state-directed labor market institutions. Since the early 1980's, there have been several government resolutions designed to promote the creation of a modern, nationwide system of institutions. It had taken essentially until last year, however, before a genuine national system of organizations and institutions was finally put in place to provide labor market services.

County-level employment offices have been established (except in Vas County). Connected with them are nearly 150 branch offices and district centers serving smaller labor-market districts. Also established as the national center of the organization was the National Labor Market Center.

The number of clients serviced by this institutional system last year approached a half a million; available data for the first two months of 1990 indicate a threefold increase in volume over last year's January-February period.

The institutional system is actually a three-tiered organization which performs local, county-level, and national functions. In this sense it resembles the state-run institutional systems operating in the developed countries, designed to provide labor market services. Compared with them, however, the effectiveness of our system has been significantly hindered by a number of factors.

In our country, the responsibility for carrying out these tasks is shared by the state and local organizations; the three tiers are not integrated organizationally, not even within the counties, in most cases. Stressing the autonomy and special responsibilities of the local governments, some counties have decentralized their service organizations to the point where they can no longer manage the local labor market comprehensively. Hence their operation has become fragmented and ineffective. Throughout the three-year existence of the Employment Fund as a financing source there has been no effort made to establish an easy-to-calculate, predictable system for supplying the institutions with necessary funds.

In view of what is expected to be a significant rise in future unemployment, it would be vital to significantly bolster the staff and technical preparedness of this service network. An organization of this size, however, could only operate effectively as a consolidated state agency. From the point of view of social welfare, such an agency, by providing improved services and counsel, would be in a better position to ease the burdens of the people affected and, from the budgetary point of view, to alleviate the financial burdens of the state.

## POLAND

#### French Banks Provide Loans to Lodz Business Institutions

90P20056A Warsaw *RZECZPOSPOLITA* in Polish  
17 May 90 p 1

[Unattributed article]

[Text] French banks have shown themselves to be much more accessible partners than Polish banks for the trade services enterprises and implementation of innovation groups in Lodz. When the Lodz PUH [expansion unknown] was searching for funds for the building of new bakery processing lines, the most worthwhile offers came in from the French bank. A contract was negotiated for a quota of 2 billion zlotys.

**Elblag Turbine Company Signs Joint Venture**

90P20060B Warsaw RZECZPOSPOLITA in Polish  
23 May 90 p 1

[Unattributed article]

[Text] The Elblag turbine producer Zamech expects about 400 million dollars a year, mostly in exports, in three to four years. Zamech signed a joint-venture agreement in energy with the world's largest consortium, Assea Brown Boveri. The magnitude of ABB's participation in this partnership is also, up to this point, the largest investment of foreign capital in a Polish enterprise.

**Fiber Optics Cable Factory Opens in Lublin**

90P20060A Warsaw RZECZPOSPOLITA in Polish  
23 May 90 p 1

[Unattributed article]

[Text] In Lublin a fiber optics cable factory of the newest generation is under way. Two million five hundred thousand km of cable can be produced per year, using the equipment of the Austrian Rosendahl firm.

**Dependence on Soviet Raw Materials Viewed as Long-Term Phenomenon**

90EP0618A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 22, 3 Jun 90 p 5

[Article by Janusz Z. Kwiatkowski: "The Tap Beyond the Bug River"]

[Text] Rising to true independence, we persistently discuss whether the presence of Soviet troops in Poland cancels that independence. But the fact that we obtain the overwhelming majority of our petroleum from just one supplier, the Soviet Union, even though petroleum is the basic raw material in the modern world, somehow does not stir up anyone's fears.

In the Federal Republic of Germany, the stationing of allied troops arouses at most the occasional reluctance of some youth groups. Yet at the end of the 1970's and the beginning of the 1980's, the intention to conclude a long term contract with the Soviet Union for the supply of a considerable quantity of natural gas incited a real storm and a national discussion which dragged on for months.

There are many indications that the epoch of wars in the civilized world is coming to an end. The military bugbear has already become so ineffective that empires themselves are giving it up. However, the significance of

economic arguments is rising. But the basis of the efficient functioning of the economy is its efficient supply of raw materials.

The example of Lithuania shows how easy it is to smother an economy that is for practical purposes dependent on just one source of raw materials. But why search for such distant examples? Is not our gasoline slump, which after all is the result of a relatively small reduction in supplies, sufficiently characteristic?

In the entire 45-year, postwar period, the problem of raw materials deliveries was solved in accordance with the logic of our geopolitical situation. As soon as we belonged to a political, military, and economic bloc, in which accounting proceeded according to special principles, the most economically advantageous as well as safest sources of raw materials were the countries belonging to that bloc. In practice, this meant one great supplier—the Soviet Union.

Indeed, Prof. Jacek Dembowski of the Institute for the Study of Foreign Trade Business Cycles and Trends believes that "the raw materials economy should never be the subject of economic integration, and international ties relating to raw materials are simply determined by transport." In our case, they were determined by another argument: the relative ease of obtaining the rubles with which we paid for raw materials.

Marek Gucik, the deputy director of the Department of Export Development in the Ministry of Foreign Economic Cooperation, admits that in a command-economy system, the entire raw materials strategy led to the balancing of needs and the assurance of suitable deliveries "according to foreseen production." New ground rules were introduced at the beginning of this year. A reduction in final demand, as well as an increase in finished-product inventories which comes with it, leads to a relative surplus of raw materials. The behavior of producers, who no longer feel the need to "squirrel away" materials, is also changing. All this influences the establishment of a new level of demand for raw materials. What that level will be today is difficult to say. It is even more difficult to form a raw materials strategy.

Director Gucik therefore believes that today's problem is rather the assurance of the appropriate elasticity in the economy in adapting to various sources of raw materials. At the same time, however, he does not deny that the question of strategy will soon become crucial.

Which raw materials can be recognized as strategically important for Poland? Above all, the energy-bearing agents, in other words, petroleum and high-methane gas. Also, iron and aluminum ore for metallurgy; natural rubber for chemistry; wool for light industry; and grain. Let's at once add that this composition is not the world standard, where, essentially, energy resources count.



Last year's import geography of some of the most important raw materials for Poland presents itself as follows:

Petroleum (in thousands of metric tons)	
USSR	13,076
Norway	107
Iraq	1,422
Iran	381
High-Methane Natural Gas (in millions of cubic meters)	
USSR	7,904
Czechoslovakia	1
Crude Iron Ore (in thousands of metric tons converted to pure component)	
USSR	1,689
Brazil	161
Venezuela	310
Finished Iron Ore (in thousands of metric tons converted to pure component)	
USSR	5,433
Norway	18
Brazil	510
Manganese Ore (in thousands of metric tons)	
USSR	471
France	72
Gabon	28
Chromium Ore (in thousands of metric tons)	
USSR	150
Cuba	5
Iran	5
Nickel (in thousands of metric tons)	
USSR	8

Among other more important raw materials (the quantities in parentheses are in thousands of metric tons), steelmaking pig iron (1,999) came exclusively from the USSR; more or less half of the aluminum oxide (183) and aluminum and semifinished products (111) came from the ruble zone and half from the free-currency zone; tin (3) was bought almost exclusively for dollars; two-thirds of phosphorites and apatites (1,105) were bought for rubles; 90 percent of natural rubber (29) came from the free-currency zone, but only 25 percent of synthetic rubber (42); finally, two-thirds of cotton (155) was imported from the USSR, but all wheat (1,174) came from the West.

From the composition, one can see how great is Poland's dependence on Soviet deliveries of raw materials. Obviously, their importance for the economy varies, just as the possibilities of importing from other countries vary. It would be considerably easier for us to buy cotton or metals (manganese, chromium, nickel) on international markets than, for example, petroleum and gas.

Prof. Jacek Dembowski is of the opinion that petroleum and aluminum "are the two key raw materials in Polish imports, the consumption of which must grow, if the Polish economy is to become modern. The remaining raw materials that are imported do not pose a serious problem, because either they do not count for practical purposes in Polish imports or, as in the example of iron, their import must be limited in connection to the excessive steel consumption in our country." In connection to this, oil consumption in the year 2000 is forecast at 35 million metric tons, but aluminum at 400,000 metric tons.

So, let's limit ourselves to energy-bearing agents.

Practically all of the petroleum consumed in Poland comes from imports. Our own production is in trace quantities, and I suppose we have already gotten rid of the illusions of a "big gusher." Nearly 90 percent of imported petroleum comes from the Soviet Union. Let's disregard the question of its price, because, as Dariusz Ledworowski, the deputy minister for foreign economic cooperation, recently announced, we will have to pay for it in dollars after next year. But the Polish economy was built on just this oil: pipelines and the petrochemical industry were built with it in mind.

On world raw materials markets, it is in abundance. The unduly pessimistic predictions of the Club of Rome, which were based on simple extrapolations of previous developmental trends, fortunately did not come true, and technical progress made the specter of a world devoid of raw materials disappear. Energy-bearing agents make up 90 percent—in terms of value—of all mineral resources produced, and oil alone, as much as 60 percent. Moreover, similar proportions show up in raw material imports.

So, there is something and somewhere to buy. The problem is what to do with it. Tankers haul petroleum to Gdansk, but here we are already dependent on the productive strength of the local refinery. The transport of petroleum by rail to the south of the country is too expensive and we do not have pipelines going in this direction.

The situation with gas is just a little bit better. Speaking in terms of high-methane gas (because both nitrous and coke-oven gas are distributed), we consume more than 12 billion cubic meters annually in our country. Of this, about two-thirds is imported: almost exactly the amount the economy needs.

The Soviet Union does not anticipate any significant increase in gas supplies in the foreseeable future; it has its own troubles in extraction and transport. From the strategic point of view, one can say that this is fortunate, because we will have to look for other suppliers.

The prognosis for increasing domestic gas production by the year 2000 calls for 6.6 billion cubic meters; meanwhile, consumption is estimated at 16 to 28 billion cubic meters (depending on the variant). The possibilities for purchasing are numerous. Liquified gas may be transported from Algeria, Iran, or Norway. But a suitable processing installation is needed. It may also be imported by pipeline, for example, underwater through

Denmark from the North Sea, or possibly through the Western European network, which many producers supply.

All these variants, however, are tied to serious investment. Moreover, in that regard, it is believed that a 25-year plan is needed.

At the same time, Poland does not have any plan, not in the case of petroleum nor in that of gas. There are not even any long term contracts with our main supplier, because until now supplies were fixed in successive five-year plans. Thus, the Polish economy hangs from the taps on the other side of the Bug River and for the time being nothing can be done about it.

Is that a reason to panic? No. We are still in the same military and economic pact with the Soviet Union. Polish aspirations to full sovereignty do not evoke signs of reluctance in Moscow, and mutual relations seem to be characterized by understanding and perhaps even full, authentic sympathy.

Thus, it is not a matter of some nearby, real threat. In aiming for great goals, one should simply think of the prosaic conditions of their realization.

#### **Gdansk, Slask Bank Branches Begin Selling Stock Shares**

90P20058A Warsaw *RZECZPOSPOLITA* in Polish  
16 May 90 p 1

[Unattributed article]

[Text] Branches of the Gdansk Bank and the Slask Bank around the country have begun selling 25,000 shares put out by FSM [compact car plant] in Bielsko-Biala. The value of one share costs 10 million zlotys and entitles the holder to buy a new licensed automobile X1/79 before anyone else.

#### **Army District Signs Financial Agreement**

90P20058B Warsaw *RZECZPOSPOLITA* in Polish  
26-27 May 90 p 1

[Unattributed article]

[Text] It appears that the army has made it to the stock exchange. Representatives of the Pomeranian Military District have recently signed a permanent agreement with the Bydgoszcz Commodity and Financial Exchange. They have entrusted the stockbrokers with the execution of systematic purchases of practically everything in which the exchange trades. The military is interested in food articles, agricultural products, and construction materials as well as paper, fabrics, and even leather. The transactions are businesslike and, for the time being, both sides are satisfied.

## **YUGOSLAVIA**

### **Programs for Reducing Taxes Said Ineffective**

90BA0155A Belgrade *EKONOMSKA POLITIKA*  
in Serbo-Croatian 28 May 90 pp 10-12

[Article by Milica Kostic: "State Without Coverage"]

[Text] As early as the first days of this year, the workers at the Electronic Works in Nis issued an ultimatum, with the threat that they would organize a general strike unless the state relieved the [tax] burden that it was heaping upon their income, which was already meager (the deadline was the end of January). The situation was resolved through a combination of political pressures and promises, but the scope of such a solution was demonstrated at the beginning of May, when the workers at the Nis Electronic Works found themselves in the same position as in January. This time they threatened that they would stop paying taxes and contributions to the state, because they had calculated in the meantime that last year 13 percent of their total income was withheld for taxes and contributions, and that this year the amount withheld would reach about 40 percent. With interest and other burdens added to this, the Nis plant would be left with only about 40 percent of its income. Just a superficial review of the so-called factory press is sufficient to observe that there is virtually not a single enterprise that is not faced with this problem. In Zrenjanin, it was calculated that the amount taken out of the economy increased by 17.7 percent between December 1989 and April 1990. An analysis of the amount withheld from personal incomes in Zagreb showed that 17 contributions absorbed about 45 percent of the income. With new, additional burdens (two more were imposed in Zagreb since the beginning of the year—one for technical education and the construction of two new secondary school centers, and the other for the construction of a Center for Justice and Administration), it is estimated that the average burden on income this year—naturally, provided that new contributions are not introduced—will amount to almost 48 percent. At the same time, the situation in health care, culture, and education is such that it can hardly be resolved without increasing the present withholding rates (over five percent is now withheld from the income of Zagreb enterprises for health care alone). A comparative analysis done in Split showed that the rate of total withholding from net wages was 27.6 percent in February 1987; it was slightly reduced the following years, and then in February 1990 it grew abruptly, to all of 32.4 percent. Last year, withholding at the Federation level for noneconomic purposes amounted to 43.5 percent overall, with the highest rates in Slovenia (46.8 percent) and Serbia (46.6 percent), and the lowest in Montenegro (34.9 percent) and Macedonia (38.7 percent). A complete picture of the burden on the economy can be obtained only by citing the SDK [Public Auditing Service] data on the situation with the accounts last year, which show that of a total of 43 billion dinars (that was how much was in the accounts), only 38.1 percent was in

the economy's accounts. The rest was distributed as follows: 5.4 percent in public services, six percent in the budgets of sociopolitical communities, 14 percent in self-managing interest communities, 29 percent in the banks, and 7.5 percent in the "miscellaneous" category. The SDK data show that last year (after the accounts for the first nine months), the economy was left with only 56.5 percent of the income, while the real growth in earnings for all types of demand was 3.6 percent.

### Cost of Reducing the Burden

The federal government's ambitious reform program has yielded visible results this year, especially with respect to stopping inflation, the continued increase in foreign exchange reserves (the level of which has reached \$8.7 billion this year), and the dynamic growth of foreign trade. On the other hand, as inflation has subsided, however, other problems have come to the fore, which inflation had otherwise completely "covered up" and made secondary by its headlong growth. The fact that the Yugoslav economy is in a recession is sufficiently indicated by merely enumerating the problems now facing it: in four months, industrial production declined by 8.7 percent; illiquidity has reached catastrophic dimensions (it is estimated that losses in the economy are three times higher than capital formation); a large amount of working capital has been tied up in inventories (which have also increased, by about one percent); there has been a further decline in investment activity, as well as in demand on the domestic market, which has made it even more difficult to market products. To this, one must add the lack of funds for financing sales, on both foreign and domestic markets, the high dependence of production upon imported raw materials and semimanufactures, with a marked deficit of dinars for the purchase of foreign exchange for imports, high interest and a high burden of indirect taxes (turnover tax, import duties, and tariffs). Along with all of this, the data show that the amount withheld from the economy during the first three months of this year increased by about 20 percent (27.8 percent for general expenditure and 34.7 percent for joint expenditure). One could even hear an estimate recently in the Yugoslav Assembly that the only higher level of a burden on the economy in the past 30 years or so was observed in 1967, after the attempted economic reform at that time. Today, however, it is difficult to determine how much just the cost of the reform has been dumped onto the economy's back, and how much the cost of political events is involved—more or less free elections, rallies in north and south, the celebration of old and new historical dates, fateful congresses and plenums (it is estimated that the latest youth congress cost no more or less than 400,000 marks), natural and other disasters, ambitious development plans, and naturally, the maintenance of relative state stability through the use of the army and militia in crisis areas, whether in Kosovo or Maksimir. This price obviously has to be paid sooner or later, and we know who is the only one who can pay it. If this whole set of situations that have been cited is called "extraordinary," however,

and it is assumed (admittedly, without much real justification) that similar "break-ins" into the public treasury will not occur in the near future, there still remains the entire tangle of "normal" and "regular" social functions and apparatus that are supported out of the economy's income—from state and parastatal bodies, through the army, to retirees or persons on social welfare. If the total amount paid by the socialized sector to the population during the first quarter of this year were designated as 100, we would see that payments of personal incomes during this period were made at a rate of 94.6, part-time work at a rate of 139.3, and pensions at a rate of 112.5. We thus get the unusual situation of pensions rising faster than personal incomes, but with personal incomes continuing to decline, both in the economy and in financed activities. It is only in such a situation that it can happen, as it did recently in Vojvodina, that metalworkers threatened a strike, demanding that less be withheld from their income, while at the same time professors at Novi Sad University were on strike, demanding an increase in the rate of contributions. Secondary school teachers, doctors and educators were also on strike, along with workers. With more and more being withheld, the quality of basic health care is declining, as are conditions in education. The state of Yugoslav science is such that for a long time now it has not been possible to talk about purchasing modern equipment or apparatus and chemicals to work with, while, at the same time, gigantic projects are being prepared for the construction of a science and technology park, which would take funds equivalent to three years' total allocations for science in Serbia.

The first steps to reduce the burden on the economy were taken at the end of March by the federal government, through its decision to reduce taxes and duties; this reduced the federal burden on the economy by about 11 percent. It is estimated that the financial effect of this reduction will be about 5.5 billion dinars, but indications from the economy show that this "relief" is not being felt. On the contrary, republic and opstina incomes have risen continuously, to a considerable extent as a consequence of the existence of a large number of bodies that can make decisions imposing burdens on the economy. It has been calculated that in Vojvodina, about 1,500 bodies have the right to increase existing contributions or introduce new ones (these are provincial and opstina authorities, and even those of local communities). The first serious measures to change the existing situation were undertaken, at least formally, in Serbia. Self-managing interest communities officially ceased to exist here as of 1 April, and instead of them, the financing of public services has been transferred to funds. Aside from the change in name, another innovation is that the new funds do not have any influence on policy or decision-making on development; they are only concerned with the means of acquiring and paying funds. Jurisdiction over allocation decisions has been transferred almost completely to the republic and opstina authorities. (In Vojvodina, however, it has been determined that the transfer of the financing of some areas to the provincial



budget has resulted in an even greater burden, because the sources of financing for those activities were not transferred to the budget as well).

At the same time, a sort of "centralization" has been carried out in Serbia, because in the future, the republic Assembly will decide on the fate of 24 percent of the economy's income, while the economy, instead of the 21 contributions that have been paid until now, will pay only one tax on income and two on personal incomes (republic and city taxes); this should lead to increased efficiency, more effectiveness, and a decrease in the number of people employed in administration. The republic has adopted the position that the amount withheld from the economy should not exceed 40 percent. Vojvodina's measures to reduce the burden on the economy include reducing the collective rates for total contributions to the province's budget from seven to six percent (which will lead to an adequate reduction of the budget), and stopping the accounts and payments of provincial income taxes for April and May. The Croatian Assembly (in what is now already its former session) proposed reducing the rate of taxes and contributions by 10-15 percent, and also postponing the payment of part of the obligations from income reported in the final accounts. Several relief measures have also been proposed in connection with indirect taxes, as well as relief measures for those who invest in undeveloped areas and in their own financial consolidation. There are also relief measures related to the financing of sociopolitical organizations which are no longer financed in the budget. Several measures aimed at reducing the burden have also been adopted by the Slovene Assembly, and the linear reduction in the rate of contributions should "save" that republic's economy 1.2 billion dinars.

Demands for a reduction in the burden on the economy have also been made by economic associations, primarily the Trade Union (the Serbian organization of trade unions thus recently supported the position of the Serbian metalworkers on a general strike), to the Yugoslav Economic Chamber, which issued a rather unusual call to boycott payments based on the final accounts until the high taxes are reduced. At the same time, the Economic Chamber has also issued a proposal that the economy's obligations be reduced by about 20 percent, and that the Federal Assembly be asked to pass a law regulating maximum new burdens on the economy.

#### Cost of the Results

Although the proposals for all these measures have been accompanied by quantifications of the results that they ought to produce, it is clear that at the same time the problem of reducing the burden on the economy cannot be solved without solving the problem of the position of public services. Not one of the actions to reduce the burden on the economy taken to date has yielded any fundamental results (admittedly, not one was professionally handled), nor has it had any long-term scope. At the same time, the increasingly greater amount withheld from the economy has not improved the state of public

services, with the exception of those whose position in society has been monopolistic—the state in the broadest sense, the army, or the ruling party and its apparatus. We are not disputing the fact that the state is necessary (that has been acknowledged even by the greatest advocates of its withering away), and the country's defense system, medical care, and education as well. All of this, and especially the latter, should be viewed not only as an expense, but also as an investment in the future. The basic problem, however, lies in adjusting the dimensions of all these functions with respect to the multiplied and more or less realistically formulated general social goals, on one hand, and the real possibilities for financing them, on the other. All of the reforms to date have proceeded (and therefore also failed) from society's unrealistic picture of itself, and even more unrealistic goals, based only on optimistic visions of the future, without any foundation in society's real financial base and its ability to "finance" the goals thus formulated. The trouble with the ZUR [Law on Associated Labor] was not only or primarily its idealistic vision of "finally liberated labor," but rather its creation of a monstrous administrative structure, and the destroyed and fragmented fabric of the economy. It is estimated that the ZUR burdened the economy, either directly or indirectly, with about a million newly employed administrators. Also, the problem is not a society's desire to build a functional defense system, but rather ideas like the "armed people" (whose army of about 5 million people was supposed to acquire expensive weapons, sanitation equipment, and uniforms, through committees for ONO [Nationwide Defense] and DSZ [Social Self-Defense], and conduct their drills mostly during working hours). The big idea that the basic social goal is "ensuring realization of the principle of equal opportunities to satisfy needs" (the Yugoslav Economic Encyclopedia) led to Yugoslavia's occupying one of the top positions in the world in terms of the amount of sick leave taken, the number of medicines issued, and the number of students enrolled. Needs that cannot be financed even by the much wealthier economies of the Western countries were proclaimed to be basic ones. The absence of an owner of social capital led to there being no real points of reference with respect to either costs or expenses, and to a situation in which, in a large number of cases, the state could arbitrarily give "exemptions" from obligations or increase them. The practice of exemptions from paying taxes or contributions was one of the most important mechanisms in the system of a sort of corruption of the economy, because it concealed the fact that more was being paid for what was apparently free than it was actually worth. On the other hand, public services, as an activity that by definition "does not produce value and therefore cannot operate in the market," were exempted from any responsibility for the quality or effectiveness of their services, naturally, as long as they lived on what the state gave them. In contrast to the Yugoslav practice, in developed countries only the minimum is free, and everything above that is paid for. The world developed preventive health systems, because it calculated that it was cheaper and more effective than expensive medical



treatment. Strict criteria have been developed which allow positive selection, and, at the same time, allow "equal chances" for those who meet those criteria. In the United States, the state will finance education at all levels, but only for the most capable people (such a possibility exists even at the most elite schools, where the tuition is otherwise enormous), just as in other situations it carefully weighs the satisfaction of the needs of different categories of the population (the aged, the unemployed, and the ill or handicapped) in accordance with a generally accepted system of values and goals. In Yugoslavia, however, for a long time schools were a sort of "safety valve" for unemployment, and the excessive number of students (with negative selection on both sides—both students and teachers) affected the quality of education and the conditions under which it took place. Some colleges are more like museums in terms of the state of their equipment, but they exist throughout the entire country, even in cities where the first school was only opened after the liberation. The same thing is true of medical centers, and their desires to have absolutely every one do the most complicated heart or brain operations. It is clear that an economy that itself is overly burdened with similar problems cannot support the burden of inefficiency, waste, and irresponsibility. It would be too naive, however, to believe that the entire situation can be changed just through a mere reduction in the number of percentage of contributions or other types of withholding. As a rule, these are the types of societal actions that experienced businessmen are most apprehensive about, because they mainly bring new taxes. In that regard, reduction of the burden on the economy has become merely an expression that indicates society's inability (or unwillingness) to replace an ossified social structure with a new, more efficient, and more capable one, even if it is equally costly. It would undoubtedly be much easier for the economy to support even an expensive state, if it were capable and efficient. A state that is as carefully concerned with the economy as this one is is much more of a burden to it.

[Box, p. 11]

#### **Slovenia: Conflict Between the Chamber and the Government**

Although the principal attacks by the Slovene economy and government have usually been directed at Belgrade, recently there has been a major exacerbation of "local" disputes. The Slovene Economic Chamber has demanded, on behalf of the economy, that the burden on enterprises' income be reduced, because in spite of rhetorical commitments, the burdens have increased.

On the other hand, the Slovene government is trying to prove that the amount being withheld for the republic's needs cannot be reduced any further, and is accusing the Chamber of "hanging" on the enterprises' income itself. The consequence of all this is that nothing is essentially changing at the republic level. That is why the Slovene Economic Chamber, aware of the economy's financial position, turned to Lojze Peterle's new government,

demanding that the federal budget, as well as the republic contributions, be reduced by 20 percent.

This year the situation in Slovenia has additionally changed because the self-managing interest communities have been eliminated, and so money is being collected in government accounts, which should have meant savings by itself. That did not happen to any great extent, however. Veljko Bole of the Ljubljana Law School's Economic Institute has pointed out that the estimates were prepared for high inflation. Since prices declined at the beginning of the year, the influx of money for public expenditure is really fairly large; this applies to both the republic and federal budgets.

In such circumstances, the noneconomic sector has a surplus of money, while the economy is falling into an increasingly more serious situation because of its increasingly greater illiquidity. The Economic Institute consequently claims that the new Slovene government should immediately reduce the republic burden by at least one tenth, if not more. The federal government should also reduce taxes for the budget by at least 20 percent, since because of the decline in industrial production and the social product, that burden could climb considerably above the anticipated 10 percent of the social product.

All of this naturally affects the economy's financial position and reduces its maneuvering room. According to an analysis recently prepared by the Economic Chamber, the Slovene economy was left with the following percentage of its income: 56 percent in 1970, 53 percent in 1975, 52 percent in 1980, 52 percent in 1985, 45 percent in 1986, 44 percent in 1987, 41 percent in 1988, and 53 percent in 1989. Consequently, according to these estimates, last year the Slovene economy kept slightly over half of the income. Part of the reduced burden, however, came primarily from a reduction in certain federal taxes. The republic government did not consent to the Chamber's proposal that last year's taxes should be reduced by one fifth across the board, and reduced even more in 1990.

Admittedly, there has been a negligible reduction, but this year the republic taxes have even increased slightly. People in the economy are convinced that very little has improved in this area in Slovenia. That is also confirmed by the fact that last year noneconomic expenditures increased more rapidly than retail prices. That is also demonstrated by an analysis of the annual account that was done by the Slovene SDK. According to that analysis, the economy's outlays for the needs of the social community in Slovenia and outside it increased by 1,992 percent, and the economy's business earnings by only slightly more than 1,000 percent. Investment expenditure was 1,345 percent higher, and capital formation only 990 percent higher, while losses increased by 5,722 percent.

During that time, the prices of the producers of industrial products increased by 1,413 percent. Comparison of

the amounts allocated by the Slovene economy for investment and general expenditure also says a great deal. The portion of the money used for investment was rather small, and is being reduced even further. That is shown by the Slovene SDK's data on the share of investments in total expenditure: 50.2 percent in 1988, 27.5 percent in 1989, 47 percent in the first quarter of 1989, and 14 percent in the first quarter of 1990.

[Box, p. 11]

#### **Serbian Program for Reducing the Burden**

The decisions adopted by the Serbian Assembly on reducing the burden on the economy are based on several measures which should be implemented by the end of the year. Above all, it has approved a reduction in the collective rate of the republic contribution from income, from 24 to 20 percent, and the effect of that measure should be about 1.1 billion dinars. The elimination of the self-managing interest communities has also eliminated 514 jobs, and the number of employees in administrative and judicial bodies and the organizations of social self-management legal officers will be reduced by about 30 percent. All business entertainment property, the property of the self-managing interest communities (automobiles), and other property that is not essential for the operation of the funds will be sold at public auction. A restriction on personal incomes in public services is planned, along with a reduction in the number of administrative workers, especially in education. Commercial banks have been ordered to reexamine their interest rate policy by the end of May, and to make a decision reducing real interest rates on loans in the economy to at most 50 percent above interest on their liabilities. The reduction of interest on that basis should amount to about 20 percent, which would reduce the economy's expenses and increase income by about five percent. There should also be a reduction in commissions and compensation for payment transactions.

#### **First Privately Owned Train**

90BA0170B Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 11 Jun 90 p 17

[Article by B. Ostojic: "The Railroads: The Beginning of a Market"]

[Text] Since the beginning of this month a new train, the Optima-Express, has been traveling the main rail line in Yugoslavia over the stretch between Jasenice and Nis. This is the first "private" train on the lines of the Yugoslav Railroad; three times a week (in both directions) it will cover this distance of 950 km in about 13 hours 40 minutes. It is a seasonal train, i.e., it is in service until [original reads "since"] mid-October. While Nis is one terminus, the other is Villach, Austria, some 20 km from the Yugoslav border.

#### **The Yugoslav Railroad or Room for Competition**

The Optima-Express is the idea and property of the mixed enterprise "Energooptima International" of Belgrade, which provided three-fourths of the (foreign) capital to finance the project, and of the Munich firm "Optima Tours," which is financing the venture with 25 percent of the capital. The basic principles of the contract with the Yugoslav Railroad are that the owners of the first private train in the Yugoslav program take care of selling (filling) the train, assuming, of course, the risk and collection of revenues from that, while the Yugoslav Railroad provides the transportation, which, in addition to use of the infrastructure, also includes the hiring of a locomotive and one employee (the train's escort, the conductor, "necessary because of our railway regulations"). The contract calls for paying the railroad for a train of seven cars: four to carry passengers and three to carry automobiles. The certain income of the Yugoslav Railroad from the Optima-Express will total about 1 million German marks in a season. This money, we were told by the competent people in the Community of Yugoslav Railroads, quite certainly "covers all the costs" of fitting the Optima-Express into the schedule on the network of the Yugoslav Railroad. The railroad people were not altogether explicit about how large the difference is between the train's costs that will be incurred by the Yugoslav Railroad and the revenues. It is certain, however, that that amount, however symbolic it might be in the summary balance sheets of operation of the Yugoslav Railroad, is important, at least from the standpoint of the efforts which the railroad transportation industry is making right now to "adapt to the market-oriented method of carrying on economic activity." That is, the railroad people cover only 35 percent of their total costs with what they earn from traffic; moreover, most of the proceeds are realized in freight traffic, while passenger transportation has a share of only 17.2 percent of total railroad revenues. The possible business success of the owners of the Optima-Express, then, does not alter the essentially "unenviable financial situation" of the railroad transportation industry, even though under the contract the train may be longer than the one mentioned (which is the "minimum")—that is, it could include as many as eight sleeping cars and couchette cars with the same number of cars to carry automobiles and one dining car—that is, even though the revenue of the railroads could be larger than what was (not) mentioned. The railroad people see the true gain in the opportunity opened up to them with the "dispatch" of the first private train on the network of the Yugoslav Railroad. And that opportunity seems to consist of their being able to "induce" an essentially higher interest of foreign capital in similar projects through the quality of their performance (the way they organize and carry out this operation!). In other words, they could "finally" get in a position where their revenues (and financial position) are larger than up to now and depend on how they perform. During last week's "promotional" run of the Optima-Express, neither the representatives of the firms which are the owners of the train, nor the representatives

of the Community of Yugoslav Railroads held back in asserting that it is quite possible that in just two or three years there could be a dozen or more similar arrangements (trains) on the Yugoslav schedule. The reference is not only to the intention to extend the route of what is now the only private train to Istanbul and Salonika at one end and to Vienna or further at the other, but also to connect other routes (from Vienna to Belgrade or Zagreb via Budapest and beyond to Split, Kordeljevo, Rijeka, Bar...). There really are "good arguments" for this kind of optimism, and they all mainly take their point of departure from assessments (facts!) that about 5 million people a year travel between those destinations; just from Italy to Greece for the summer tourist season ferry steamers carry about 5,000 cars a day! The same (or greater) optimism is also suggested by the datum reported to journalists that already 46 percent of the Optima-Express has been sold for this year's entire season. This datum carries all the more weight because one can assume that the Western tourist still has not changed his habits of deciding on a trip "at the last moment," and still less has there been a change in his need to avoid the "hard stretches of driving" for which our country is rather well known. That is, it is not unrealistic to expect that the Optima-Express will be 100-percent sold out this year.

#### A Delay of Two Years

The full employment of the first private train on the lines of the Yugoslav Railroad would probably essentially diminish the "calculated" loss of its owners on this transaction, which, according to Miloje Pantelic, president of the company "Energooptima International," ranges around 400,000 German marks. But the big question is whether the influence of circumstances which have prevented this "private" arrangement of our Yugoslav Railroad from happening before would be diminished in proportion to that loss (which the same calculations figure to cover with profit in coming years). The idea of the Optima-Express (or something similar), that is, is not new at all. Attempts were made all of eight years ago, and the present owners have been insisting on this particular deal for two years. The basic problem is the "intergovernmental relations" within Yugoslavia, which inevitably raise problems for the functioning of so-called large systems, of which the railroads are one, which are "insoluble" such as "who will provide the locomotive," "how will the profit be divided," and so on. If inclusion of the Optima-Express in the actual schedule on the Yugoslav Railroad is a fact which proves that these and similar problems have been "resolved" (which we would do well to be dubious about)—a "new" problem of "fundamental nature" still remains, that is, is raised. That is, the view could probably be defended successfully that in accepting "private business" on the network of the Yugoslav Railroad, the railroad people are themselves disabling the arguments which they have used up to now in efforts that they finally be given the same business conditions as other branches of transportation

(especially highway transportation, which is their "competitor"). In these efforts, it has been (correctly) asserted that the railroads are the only branch of transportation which must be concerned (even) about its own infrastructure; demanding, of course, that the state or states free them of that concern (in one of the ways that is well known and recognized in the world), so that they might "devote themselves" exclusively to performing their principal activity. Now, that same infrastructure is actually being hired out to those who will be their competitors in their principal activity (carrying freight and passengers)?

But the railroad people can hardly be accused on the basis of this paradox, and that would be unfair. Incidentally, the railroad people might respond to that "accusation" with the correct assertion that in hiring out the infrastructure (which does "exist") it is bringing in income without damaging the quality of transportation on the Yugoslav Railroad and doing so with considerably less effort. Who is going to rent that "infrastructure" is more or less a matter of indifference from the standpoint of the benefit from it. From that same standpoint, it is also a matter of indifference what could happen if the person hiring it actually does not benefit from it, since it is quite possible that the contribution (compensation) of the competent sociopolitical community, which up to now has been determined "in keeping with material capabilities," not with the logic of a technologically unified system, could be diminished by the amount of the "earning." Taken to the end, then, the introduction of private trains on the Yugoslav Railroad might take the form of pressure on the competent people (the government or governments) to finally do some serious work to solve the fundamental problems in the conception of the Yugoslav Railroad, which the railroad people themselves have been trying to put on their agenda for years now.

#### Status of Machine Tool Industry

90BA0170C Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 11 Jun 90 p 18

[Article by S. Pejovic: "Machine Tools: Bad Years"]

[Text] The Biennial Exposition of Machine Tools of Yugoslavia (BIAM), which has now become traditional, is being held at the Zagreb Fairgrounds between 11 and 16 June of this year. A quite sufficient occasion to talk with Zvonimir Speljak, general secretary of "Masinosavez," the association which brings together "high-tech" producers at the national level. Speljak himself says: "Economic policy could help us the most if it undertook to clarify our important ties to the market of the Soviet Union, thereby also clarifying the very issue of this sector's development. After all," Speljak goes on to say, "it is probable that VW or GM will not be buying an automatic production line from us for machine engine blocks, but it is very likely that automobile factories in the Soviet Union will buy because we can give them the technological level of equipment they are looking for."



What is actually at issue here?

Compared to other sectors of industry, the Yugoslav production of machine tools occupies a very high place in production measured to the "needs" of the domestic market. The annual value of this output ranges at about \$600 million (\$630 million last year), which compared to the Japanese, which has an output of \$6 billion a year and has a firm hold on first place, does not make us a heavyweight. Nor is its 15th place in the ranking of national machine tool industries any kind of an achievement (representing only 1.7 percent of world output). But since even these numbers exceed most other sectors with respect to their importance in world output, Yugoslav machine tools are certainly a sector deserving attention, especially when we bear in mind that most of the factories possess the know-how to make machines with numeric programmed control.

The crucial and urgent troubles of machine tool manufacturers arise, however, precisely from volume. Out of last year's output of \$630 million, more than \$400 million was collected from sales outside Yugoslavia, and again the Soviet Union represented the largest share of that (86.6 percent). It should be said in this connection that the orientation toward the Soviet market has been reduced from 94 percent, which was the share of that market in our exports in 1988 even though the volume of sales there last year rose \$7 million over the previous year. Speljak says: "We know the Soviet market very well, we know that their development options are oriented in four areas (overall modernization and automation, food production and processing, housing construction, and consumer goods, with important emphasis on automobiles), and we already have a share in all four of those fields and we can have that share in the future. It is also clear to us that all world producers are ready to enter that market, but it is a fact that in the West the market for machine tools has been particularly strong for several years now and that all those factories are operating at full capacity, so that, as far as capacity goes, we have an advantage, since we could react quickly."

Asked whether the problem of marketing machine tools in the Soviet Union arises from the disrupted balance of payments, Speljak answered in the affirmative, but he added: "But that situation ought not to postpone the transition to convertible payment, since we can withstand world competition, provided, of course, that we have the same kind of support here at home as our competitors have in their respective countries."

Certainly, a clarification is needed here concerning the kind of support referred to. First of all, regular market economies have strong financial institutions which support sectors in which the investments in development are large and in which expensive capital goods are involved, since almost without exception they are sold either on credit or through other forms (leasing, joint ventures, for example). At the same time, not a single national industry or segment of it has great prospects if its own national market is not the basis of its sales. In that

respect Yugoslav machine tools are on thin ice: the markedly low investment activity, the almost insignificant demands of the domestic market for automated production lines, the low purchasing power of domestic industry—these are all elements creating the preconditions for machine tool manufacturers to have bad years. In other words: the demand for machine tools exists, the inquiries of customers are specific and important in dollar amounts, but the customers themselves are quite weak. "What our customers need now are machines with numeric programmed control, but they are between sevenfold and eightfold more expensive than conventional machines," Speljak says.

What are the prospects for resolving these two key issues in such a way as to create the prerequisites for strengthening the market? As to the "case" of the Soviet market, Speljak was not able to say anything more specific than that in the moves made so far he does not see "that anything important has been done." The domestic market, that is, prospects for responding to the demand which the small and medium-sized enterprises might develop, the current catchword of economic policy? Speljak says: "What I can tell you in answer to that question is that the nuclei of those enterprises still have not taken shape." If that movement does occur in the end, if, above all under private management, there is pressure for imports, will the machine tool sector react with the demand to prevent those imports or restrict them? Zvonimir Speljak sees almost no serious threat in this hypothesis. He says: "I see that you are alluding to that general notion that as a sector we are excessively protected against imports. The imports are subject to value quotas, and we have benefitted from that protection only in that we can see what is being requested in terms of assortment, where that demand is coming from, and so on. But I will give you an immediate denial: only 47 percent of the permits which importers obtained last year were used, which means that our industry simply does not have the money for any kind of serious investment. I personally do not expect any sudden spurt in the demand for these products, so that as a grouping we will not have any reason for seeking protection except the normal regulations that apply to all the advanced markets. Even now, you can import a machine, but I will ask you what you will do with it. My point is that the demand for machine tools must be preceded by an overall organizational normalization of enterprises in Yugoslavia. No, I do not expect any kind of major movement or higher demand for imports at all. We still do not have the preconditions for that, and when they are brought about, then our industry will be able to sell as many machines as it can make."

It seems logical to ask the question why people in the industry are optimistic when they discuss the possibilities for responding to good market conditions, when first they are pessimistic in thinking that there are no prospects on the horizon for good market conditions. The answer would be as follows: A normal environment is indispensable for good market conditions to be serious



and stable. This means that anyone with initiative has to have the security that what he invests in will not be terminated tomorrow by something originating in the political system. Only then are the conditions created for the survival of small enterprises, which in turn require an environment of firms rounded out in their development and production, and that certainly includes producers of machine tools. For example: the strongest European machine tool factories employ 200 people on the average who are concentrated on development and final assembly. Entire networks of small and medium-sized enterprises make the parts and assemblies for them, usually to the customer's design. Suppliers of the principal material have adapted to that environment: steel comes in already cut or cast to measure. "We must buy five tons of steel, and then we use one ton of it, since

the steel mill will not sell less than five tons, and a trade system has not developed capable of filling the intermediate position of preparations between phases," Speljak says.

Finally, what are the trends of development that can be anticipated in the conditions of a possible improvement of market conditions? Speljak says: "The trend is toward maximum automation of the work station and of a flexible production system optimized for between three and four machines. I think that the BIAM will also be oriented in that direction: that is, toward a flexible cell which automates some segment in production. The flourishing of small and medium-sized enterprises would truly open up prospects for our production."

## GERMAN DEMOCRATIC REPUBLIC

### PDS Organ Views Resident Aliens' Status

90GE0137A East Berlin NEUES DEUTSCHLAND  
in German 12-13 May 90 p 10

[Article by Stefan Mahlke: "Italians Preferable to Poles in Our Country?": Enmity Toward Foreigners in the GDR and the Search for a New Identity as Germans"]

[Text] Are we searching for a new identity? Is it difficult for us to find it within ourselves and are we therefore looking for it outside of ourselves? Does it take such new old cliches like those about the "lazy Pole" or "dirty nigger"? Is this still the way to compensate for one's own insecurity? Can the sense of self-worth really be enhanced by this?

The GDR citizen—is he more "industrious" than, say, Poles, Hungarians, Russians merely because he now sees an opportunity to catch up with his brother in the other Germany? Platitudes precede the actual efforts: Poles the same as Russians, Hungarians like Romanians have no one to blame but themselves for their miserable situation. The lack of self-confidence in the face of West German efficiency is being compensated for by the newfound identity as Germans.

Involuntarily, the pseudoscientific thesis about the two German nations has gathered sufficient potential. Indifferent concepts like homeland and nation are emotionally charged. The question whether there is such a thing as a specific GDR identity seems no longer topical. There are bigger things to come.

### Foreign Workers

Presumably, the foreign citizens will remain in our country. As we are not used to coexisting with them anyhow, we do not have any time to concern ourselves with other people's problems given all our own worries about the Deutsche mark. If one so chooses, this can be viewed as an advantage: Just as we have realized by now that the longing for democracy was not the only driving force behind the "revolution," the true attitudes toward foreigners are now becoming more visible. A potential for hostility toward foreigners, suppressed for many years, manifests itself.

At the same time, it is easier for us today to show solidarity and commitment. No longer do we have to take the government-approved or prescribed paths. That means something! Criticizing national policies becomes possible, grass roots groups are making commitments.

With the percentage of aliens in our total population being one percent we are in this respect also a developing country. Nevertheless: An opportunity to confront the problem has existed since the end of the seventies at the latest. At that time the GDR entered into intergovernmental agreements with several nations (Vietnam,

Mozambique, Cuba, Poland), which resulted in the arrival of tens of thousands of workers to our country.<sup>1</sup>

Both sides profited from this. If there was insufficient manpower here in our country, unemployment, considerable at times, prevailed in partner countries. The new workers found employment primarily in the textile industry but also in metallurgy, machine building, the beverage industry. These were not always the best of jobs, however, allowances had to be made both for our qualification requirements and the educational level. As a rule they came into our country for five years and without their families.

The integration into the production process may have proceeded relatively normally, yet preparation of the environment had been insufficient. The workers invited from "above" now had to be supplied with living space in the communities. Hastily erected housing projects "solved" the problem. From then on every foreign worker experienced what it meant to have a claim to five square meters of living space (as per intergovernmental agreement). So four persons live in one room (20 square meters); a curtain takes care of privacy. Loving, living, eating, and sleeping behind a curtain. Sometimes 11 residents have to share one cooking facility—if one is available at all in the apartment. Added to this are problems with work schedules and sustenance. Inadequate language skills as well as rejection by some of the population caused them to spend the majority of their free time indoors.

Committed persons looking after the Vietnamese, Cubans, and Mozambicans all at once must be mother, father, brother, and sister to them. And these are some of the attitudes they encounter: These people are here to work and had better do what we tell them. The embassies of their native countries frequently even support such attitudes. Their citizens are not allowed to have children here. In the event of violations, as is the case even with minor offenses (infractions of labor discipline and the like), the threat to send the "sinners" back to their native country prematurely comes. A warning not without effect: Pregnant Vietnamese women have been known to lace in their stomach to avoid being flown back before the delivery.

An early return means to have missed the opportunity for a modicum of prosperity. Even though the possibility to come to the GDR, to work here and earn money is a great privilege, individuals also perceive it as a certain pressure: "If I don't manage to get the goods to Vietnam my family thinks poorly of me. I work in a strange country, in an unfamiliar production process, in a class system, live in mass housing, am obligated to buy things for the people back home who have great expectations. A GDR citizen would not be able to put up with this," reports a Vietnamese representative.

### Acclimatization

Foreign citizens with permanent residency in the GDR find it easier to feel at home here. They know the

language better, have a stable circle of friends and acquaintances and have learned to live with and in another culture. But their experience with the GDR also includes, in addition to being accepted at work and among friends, the everyday enmity toward foreigners. They were able to compare the state-proclaimed solidarity (which by no means excluded real solidarity) with the real thing. Solidarity with faraway countries was now faced with the little-used option of practicing solidarity at one's own doorstep. Foreigners did not experience the political structures in a much different way than the citizens of our country. The possibilities, small as they were, to be politically active were further limited by diplomatic considerations. Much was a question of adaptability. To live meant to manage the small inconveniences.

In autumn values were caught up in the crisis. Everything that contributed to the legitimization of the old system is now being rejected. Solidarity is anything but booming. Many a foreign citizen who has lived in the GDR is afraid to go to the store. Aliens must submit to verbal abuse or fend off hostile actions from extreme rightist groups. Is the GDR turning into a place of intolerance?

#### Normalcy

Enmity toward foreigners is not a problem exclusive to the GDR. Resentment toward anything foreign seems to be a relative constant of human coexistence. However, what has long since been a reality for the majority of industrialized nations—the unmistakable presence of ethnic minorities—for us is still something as yet to be experienced. In addition to the insulation against "foreign" ideas we also suffered the constraint of not being able to experience the ways of the world.

No greater is our experience with foreign cultures in our own country. Italian restaurants are just as absent as Turkish ones. Establishments of world culture(s) would be as much a part of this as intensive language training. To this day the other skin color is something unusual to us: a condition hardly fathomable for French or Netherlands (at least in the cities). Normalcy would have stood us in good stead, normalcy in our everyday encounter with that which is foreign.

Where there is ignorance it is accompanied by insecurity. A self-conscious attitude toward the other person. If the seat in the bus next to an Angolan remains unoccupied—because of this very uncertainty—he perceives this as xenophobia. This is definitely not a conscious enmity toward foreigners.

There are foreigners and there are foreigners. The forced denial of consumer goods of the Western world has produced hierarchies in our minds. According to this, Japanese people are on a higher level than Vietnamese, allied buyers much more likeable than Polish tourists. This is evidenced by remarks like "we would much rather have Italians than Poles in our country."<sup>2</sup> Is this

already the expression of a value judgment that measures primarily by performance and money?

There is no such thing as the Pole, and there is no such thing as the GDR citizen. Normalcy to me would also mean living with the different attitudes toward foreigners. Indifference might not be the worst possible behavior. Our resistance should first of all be aimed at the deliberate hostility toward foreigners.

#### Plurality

One prerequisite for normalcy would be a truly pluralistic society. A political system that did not support differing ideas also had to restrain possible supporters of such ideas. Foreigners were a potential nuisance. The exacerbation of relations with the Soviet Union from 1985 to 1989 is only one example.

To begin with, coexistence with foreigners would mean making living side by side possible. This would not be so much integration (inclusion, standardization, mixing) as an equal coexistence and harmony of different cultures. Vietnamese and Cubans, Mozambicans, and Poles living here must be able to read newspapers from their countries, to hear and see broadcasts in their own language. It should not make any difference whether a Vietnamese or a German wants to be my neighbor, even if the former works and lives here for "only" five years. Plurality would also mean making allowances for the far greater degree of importance other peoples attach to religion. It must be possible to live culture comprehensively!

My idea of plurality is also a considerable liberalization of the right to asylum. Membership in the Geneva Refugee Convention would be merely the beginning of an immigration policy that not least must be prepared to confront the responsibility derived from German history. The Eurocentrist vision of our continent frequently lets us forget one thing. The Third World begins in Europe. Anyone who strives for a more equitable world must not shy away from being confronted with poverty.

Furthermore, plurality to me means exploring how other countries experienced coexistence with foreigners. And it has to go beyond the horizon of the Federal Republic!

#### Identity

This plurality could also give us a new consciousness of our identity. A moment ago, while spiritualizing the building of the two German nations, many breathed a sigh of relief: We were, are now and shall remain Germans. We are one people. Now resettlers from East Europe are already being degraded. They are really not true Germans, it is said, and why don't they stay home. Social tensions find expression in this manner; the foreigner is the very first to be affected by a decreasing solidary sentiment. The real anxieties and uncertainties are fertile soil for disassociation and exclusion.

As if this were not enough the next factor, at once giving identity and also excluding, is already on the horizon:

"Deutsche mark nationalism" (Habermas). The growth of this new identity, based on a type of economic pride, would be but a repetition of a development experienced in the FRG all the way into the seventies. New, however, would be that this type of economic pride now could coincide merrily with "Germany."

Forty years of doing without Western prosperity could therefore mean that foreigners are accepted only to the extent that they contribute to the increasing of wealth. The very same people, who as citizens of other states have sometimes experienced firsthand the consequences of a German superidentity, would once again be the excluded ones. With Auschwitz, however, with "that monstrous breach of continuity, the Germans have forfeited the option to base their political identity on anything other than on universal civic principles in whose light the national tradition can no longer be acquired sight unseen but only with discernment and self-criticism."<sup>3</sup>

Forming an identity of this quality, based on democracy and culture, would provide foreigners with the opportunity to develop and preserve an identity of their very own.

To live with foreigners means to examine our own lives critically. To speak of foreigners means to speak of ourselves. To more than 4 billion people we are the foreigners.

#### Footnotes

1. At present, about 180,000 aliens live in the GDR, including 90,000 on the basis of intergovernmental agreements. Of these in turn about 60,000 Vietnamese, 16,000 Mozambicans, 9,000 Cubans, 7,000 Poles, and 1,000 Angolans.

2. Quote from a letter to the editor of the BERLINER ZEITUNG, Nov. 89.

3. Habermas, Juergen: "The Deutsche mark Nationalism" in DIE ZEIT, 30 Mar 90 p. 63.

## HUNGARY

### Penal Authority Department Head on Amnesty, Major Changes in Structure

90CH0198A Budapest REFORM in Hungarian  
4 May 90 pp 20-21

[Interview with Colonel Imre Fejes, head of the Education Department of the National Penal Authority, by Laszlo Kobor; place and date not given: "Prison Guards To Become Administrators? Fifteen Thousand Inmates in Domestic Prisons; Prison Reform Long Complete, Remains Only a Plan; Not a Colonel, but a Counselor; Experts Recommend Open Prisons, Social Controls"—first paragraph is REFORM introduction]

[Text] The inmates locked up by the thousands are grumbling and organizing: The storm of social change has also reached our prisons. The convicts are sending hundreds of letters to the chief prosecutor, the minister,

and the editor (REFORM's collection would already make up a thick volume.) At the same time the National Penal Authority has been left without a boss: After a year and a half of service, Major General Dr. Laszlo Kun has requested his retirement.

According to the experts of the Penal Authority, the new Parliament will soon be making a decision regarding the scope of the expected amnesty. For now it remains uncertain how many people will be released (perhaps more than 6,000). Presently 15,000 people are incarcerated in our domestic jails, prisons, and penitentiaries.

There is an urgent need to redefine the function of the penal system, to ensure social control, to make greater distinctions among the various components of the institutional network, and to clarify the role of prison labor. The time has also come to bring the penal authority under civilian administration.

Colonel Imre Fejes works at the National Penal Authority, heading the education department there. He has spent 20 years in this field, so he has had plenty of experience. In his view we are witnessing a revival of the reform proposals of four to five years ago, but until a decision is made regarding their implementation, they needed to do everything possible to prevent the kind of disturbances and riots that have occurred in the Czechoslovak, Polish, and Bulgarian prisons.

[Kobor] What has been the penal authority's guiding principle thus far?

[Fejes] To put the criminal in prison, and once he was there, to change him. This approach has not worked.... In the East and West alike, the job of the given country's "penal authority" is to punish those who have committed a crime; changing them once they are there is only of secondary importance.

[Kobor] Have the prisoners changed, too?

[Fejes] Of course. They are complaining about our present system of justice, namely about the fact that they have been sentenced to serve years for embezzling or stealing a few thousand forints, while those who have ruined the country continue to live with impunity. We have also been preaching to them about how those who perform honest work can also make a good living, and how well it pays to learn. Then we find that after they are released they are unable to get a job, making them wonder what sense it made to complete grade school.

[Kobor] For decades, the penal system operated under the control of the party. What has replaced it?

[Fejes] Right now we are operating in a vacuum. What we need to do, I feel, is to finally bring the penal system under social control; not in a centralized manner, but at the local level where the institution operates. The members of the local governments should make regular visits to these institutions, and represent the interests of the inmates. They should play a missionary role, eventually



evolving into a nationwide network, and could report about their experiences to Parliament on an annual basis.

[Kobor] Is the prison going to become a "transit" point?

[Fejes] No, it will simply become a part of society, one which we need not be ashamed of. Incidentally, it is untenable today to continue to operate on the basis of the old three-tiered penal system; it does not reflect the makeup of our prison population. The existing three-tiered system should be replaced by one which includes the concept of minimum security confinement as well as a network of open, semirestricted, and closed institutions. After all, under the present system a chicken thief is just as much at risk of being fired at as a recidivist murderer.

[Kobor] Will it continue to be mandatory for every prisoner to work?

[Fejes] That has not been decided. Prison labor is an educational tool, and also a means of raising needed funds not provided by the budget. Our current employment system is profit oriented, although I admit that this should not be a characteristic of our penal system.

[Kobor] Is it true that in the future the "top prison brass" will be made up of civilian bureaucrats, and that there will be no ranks and fewer weapons?

[Fejes] We are moving toward greater civilian control. Since 1949, we have been shuffled back and forth from under the Interior Ministry to the Justice Ministry, while at the same time we have also been serving functions assigned to us by the Ministry of Defense. This, of course, has also had its advantages: You can retire at age 55, receive full pay while on sick leave, etc. This, however, cannot continue: Weapons should only be present where they are absolutely necessary, and we should be treated as an armed organization not as an armed corps. Here, at the national headquarters, too, (with the exception of the security department) everybody should be civilian.

[Kobor] In sum, what should the new prison be like?

[Fejes] It should conform to the "minimum" guidelines laid down by the UN, and to the recommendations of the Council of Europe.

### Drug-Use Problem Discussed

25000741A Budapest MAGYAR NEMZET  
in Hungarian 25 May 90 p 5

[Article and interview with police Major Dr. Karoly Balla, head of the National Narcotics Control Organ, by Istvan Boros; place and date not given: "Turkish Connection—Prescription Drawn"]

[Text] The proof of craving and flying is a prescription which rests on a yellow smoking table and virtually glows. The red letters and lines burn a person's eyes. Even the

purple rubber stamp mark is blinding.... Yes, whoever was compelled to "design" this prescription had to make a great effort: Inside of him he sensed the hunger, the acid pain, and knew that in half an hour he would feel tremors in his stomach, then his legs would go to sleep and sweat would already be pouring from him.... And there is no supply...he must get some immediately, otherwise...otherwise he will go crazy, the little Indians will come and scalp him alive.

The prescription is forged from the first stroke of the pen to the last Latin word. It is the perfect work of a master, it is the kind that can be negotiated in any pharmacy, particularly when a crowd is waiting. The slip was drawn with a red felt pen, the rubber stamp mark was forged with the carbon paper method well known to drug users, and the name of the pharmaceutical to be prescribed and the directions for use are written in by the user of the drug, after all he is almost more familiar with the drug than the physician himself....

But this is only a glimpse used by the journalist to catch the tired reader's attention for his topic in this age of indifference. He would like to catch the reader's attention even more so because we are slowly becoming immune to everything, not only because of the abundance of information, but also as a result of loosening human relations.

The explanation of all this may also be the fact that in the early 1980's professionals and journalists dealing with this subject feared an explosion, as a result of which they counted on a new kind of large scale drug use. In plain words: the mass enjoyment of heroin. This concern was by no means unfounded. The fact that aside from a few isolated incidents this did not become a reality resulted in a feeling of "betrayal" by people in regard to the overstated threat.

And the silence of the past years, and indifference in regard to narcotics, becomes understandable if we add an analogy to all this. In his work concerning suicide, Emile Durkheim wrote that whenever society experiences crises—economic low points, moral bankruptcy, revolutions, wars—the number of suicides declines, because the human instinct to live protests in a healthy manner, and resists the difficulties. In such times one has to live, one must survive, after all.... And since drug use is also a kind of self-destruction, the number of those wishing to die voluntarily, and the number of drug users, increases in a more balanced social atmosphere, in less problematic periods, when human communities and systems of human relations become loose.

Viewed from this vantage point, "fortunately" there is a crisis today in Hungary. This however, at this time "unfortunately," also means that the sufficient means, financial resources needed for the cure of habitual drug users, and for the taking of preventative steps are minimal.

### 27 Kilos of Heroin

An international narcotics fact-finding conference was held under such conditions at Tihany in early May. Only at first glance does this conference appear as something

alien to the Hungarian situation. The truth is that broader international contexts may have an effect on the Hungarian situation. All this was discussed by police Major Dr. Karoly Balla, head of the Central Narcotics Control Organ.

[Balla] The magnitude of the problem is well illustrated by the fact that participants at this meeting included representatives of the FRG, France, Austria, Sweden, Switzerland, the CSFR, Yugoslavia, Romania, and the United States and Canada. At issue were narcotic substances transported and smuggled by way of the so-called Balkan Route, which services not only Europe but also America. They call this method of smuggling transportation by the "Balkan Route," because heroin originating from Southeast and Southwest Asia is transported to Turkey, and the substances are distributed from there.

[Boros] Which countries are involved in the "Balkan Route"?

[Balla] We are aware of two main routes. One starts out in Istanbul and carries the substances to Bulgaria, the CSFR, Austria, the FRG, the Netherlands, Belgium, France, Italy, and Spain. The other touches the Black Sea, and goes through Romania to Hungary, Austria, the FRG, the Netherlands, England, and Denmark to the consumers. I would mention only one piece of data to characterize the monopoly situation of the Turks: While in 1984 a total volume of 450 kg of heroin were seized in the course of 110 confiscations and 263 arrests, in 1989 some 1,700 kg of heroine were seized in the course of 208 confiscations and the arrest of 505 persons.

[Boros] At first hearing, this method of transportation sounds rather complicated and risky.

[Balla] But the opposite is true: These days traffic involving trucks and personal vehicles is busy enough at border stations for smugglers to give preference to this solution. And they choose the country which in their judgment is the weakest link in the chain, i.e. in terms of the fight against narcotics.

[Boros] Is Hungary a weak or a strong link in the chain?

[Balla] One thing is certain: From the standpoint of the "Balkan Route," Hungary plays a significant role in the forwarding of narcotic substances. This may also be seen from the fact that frequently they let certain shipments cool down in Hungary, and the fact that in 1989 we seized 27 kg of heroin also serves to prove this.

[Boros] From the standpoint of strategy to be applied in the struggle against narcotic substances in the present and the future, it is a fundamental issue whether the assumed quantity of heroin is being transported further, or if Hungary has changed from being a transit station into the last station on the line.

[Balla] Fortunately the substance is being forwarded. The fact that in most instances only so-called exportations are transacted through Hungary is also fortunate.

### Not a Good Deal for Forints

[Boros] Is it still true that for the time being they are "only" transshipping substances through Hungary because there is no bonified demand here? In other words: We are not talking about a shortage of market demand, but about a shortage of demand for which there is an ability to pay, i.e. in foreign exchange?

[Balla] This is true. It simply is not good business sense to sell something for forints when one can obtain dollars for it.

[Boros] If that is true, the domestic narcotics consumption is still at the stage of "small trade methods" like taking medicinal drugs and falsifying prescriptions. At the same time, this may be reassuring to many who feel that in the absence of heroin the danger is not so great....

[Balla] I do not agree with this view. From the standpoint of the drug user and society it amounts to almost the same whether the substance is called codeine or heroin. The danger is the same from the standpoint of self-destruction and the accompanying effect on society. At the same time it is true that lacking heroin this explosion has not yet taken place, the one that would mean that the underworld, in our case the Hungarian underworld, could do business by selling drugs. At this point I must quote the American finding: The number of drug users and the quality of the substance consumed is related to the social developmental level of individual countries. Accordingly, from this standpoint we are still the passive subjects of a condition which came about in the early 1980's: A few hundred junkies have been replaced by a population of several thousand drug users, i.e. forged prescriptions are being prepared and pharmacies broken into, and thereafter, primarily because of the proportions [of this problem], the issue could no longer be regarded as negligible.

[Boros] I am aware of the fact that one of the most difficult things is to establish the number of drug users. Five or ten years ago they estimated the number of drug users at about 50,000 by using a so-called latency multiplier, but some were talking about 100,000 drug users. Official data always show far fewer drug users. What is the present situation?

[Balla] In Hungary today we may talk about between 8,000 and 10,000 habitual drug users. Occasional users and those who have tried it only once are not included in this number.

[Boros] Previously, snorting and the use of pharmaceuticals was characteristic.

[Balla] Today primarily the use of pharmaceuticals is characteristic, and since [the rate of] snorting has remained unchanged, this definitely indicates that we are witnessing a certain deviance.

[Boros] Which are the most frequently used medicinal drugs?

[Balla] Should we really write about that?

[Boros] I believe that we have gotten beyond the problem of putting ideas in people's minds. In my view it is a sin not to talk about it.

[Balla] Okay...primarily the combined method, polytoxico-mania is characteristic. Hydrocodin, codeine, noxiron, and morphine take the first place among the substances to be obtained, but some 50 different kinds of medicines are suitable to create a daze. In our experience the number of junkies has gradually increased since 1982. We are not talking about a large increase, but about a continuous phenomenon. Corresponding with this increase the volume of substances used is also increasing. This may be surprising, but it is not the human body that sets the limit to the quantity that may be used. It is the availability of the substance that creates problems. Thus the junkies try to achieve the appropriate effect by using repeatedly new combinations.

#### The Organization

[Boros] From what you are saying it appears that the fact that no heroin is present in the country is of no help; the problem of drug use remains unchanged as a problem in society. Aware of the fact that this is not primarily a police matter, what perceptions do you have insofar as a solution to this problem is concerned?

[Balla] In my view the present situation is simply ridiculous. That is, neither the preparation of substances nor the acquisition of substances is punished seriously. This is the practice at least. In other countries these acts are punished severely. In Hungary they primarily underscore the fact that these persons are ill.

[Boros] I am also convinced that these people are primarily sick, and that they should be cured. At the same time, one must not forget that they are responsible for their own fate, and that they are also committing punishable acts.

[Balla] In turn, however, I must respond by saying that at the same time these people become part and parcel of criminal activities involving narcotics, because they build up a particular network, a system, which although at present serves the purpose of obtaining prescriptions, and the acquisition and sale of medicinal drugs, it is also suitable for the acquisition and distribution of heroin and other substances. Accordingly, these people are not only users, they are also "members of an organization."

[Boros] It is hard to argue with this in the absence of reliable information; at the same time however, hearing this statement I have an adverse reaction to the latent need, the application of force, as well as the fact that the battery of arguments and the part of the phrasing show only a minimum change as compared to the terms used in the early 1980's. Thus I can only express hope that there will come a moment in Hungary when a more differentiated approach starting from a principle becomes a reality, one that is able

to better distinguish between the criminals and the victims—victims through their own fault.

[Balla] I agree with this view. At the same time, I would also like to state that we are placing the fight against narcotic substances on new foundations. We are increasing the size of the specialized staff. Our associates are working in seven counties; they also control the manufacture and sale of legitimate narcotic substances. We established a data bank which contains all the information that could be found: who must be dealt with, who needs help, what the new causes of drug use are, and based on these, the steps that must be taken.

#### Alleged Drug, Arms Smugglers Arrested at Resort

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[MTI [Hungarian Telegraph Agency] report: "Machine Guns and Counterfeit Dollars: Drug and Arms Smugglers at Harkany"]

[Text] Harkany has become the center of international criminal activities. The discovery by police of narcotics, arms, and counterfeit foreign exchange trade continues after a just completed special action that took 10 days. These were the facts the press was told at the Baranya County municipality by representatives of the police and by revenue officers.

In the course of action aimed at discontinuing the chaotic situation at the "CEMA market" of the therapeutic resort known throughout Europe, criminal charges have been filed against 73 persons on grounds of violating customs and foreign exchange rules. Their volume of business amounted to more than 5 million forints. They seized 700,000 forints worth of goods and 500,000 forints worth of foreign exchange. Since black marketeers also learned about the action, and temporarily settled in Pecs as a result, two days of reinforced control action also took place at the county seat of Pecs. At Pecs charges were filed against 18 persons for criminal acts involving foreign exchange. They revoked permits to stay in Hungary from 12 persons, 14 were ejected from the country within a day, and several persons involved in prohibited gambling, pickpockets, and violators of traffic laws were tagged. Lieutenant Colonel Ferenc Kodba, head of the criminal prosecution division at the county police headquarters, said that although they did not find narcotic substances, they have information concerning the activities of persons involved in the international drug trade. Information received from Yugoslavian Interior Ministry organs confirmed the assumption that Harkany was the transit stop for arms trade destined for Kosoviba; in Yugoslavia they had already seized a significant shipment of submachine guns which originated in Hungary. Several signs indicate that counterfeit foreign exchange has been circulated in the CEMA market. Thus far the police have seized \$3,000 counterfeit. According to information received by police they may count on the appearance of additional counterfeit fifty dollar bills, as well as West German marks.

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